

DEVOLUTION AND ACCOMMODATION IN TRANSITIONAL SOCIETIES:
UKRAINE'S POLISH LESSONS

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ABSTRACT OF THE DISSERTATION

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The administrative division and territorial system of governance play a paramount role in addressing issues of the nation's socioeconomic, political, and cultural development, its transportation infrastructure, the delivery of decent administrative and social services to the public, and many other issues having to do with the management of society's vital functions. An administrative division is formed over the course of a nation's historical development, taking account of the interests of those living within its constituent territories at various periods. In turn, it is a component of the nation's administrative system. Regionalism and the nation's regional policy often have a decisive influence on the administrative division. Regionalism has always been an extremely important factor in the national development of Ukraine. Territorial divisions play crucial roles in social and economic development of both the nation-state and its regions. Borders of provinces, counties, or communes create formal framework in which different actors of socioeconomic and political life perform their functions. The devolution of state power may be employed to accommodate persistent regionalism and, therefore, successfully defuse separatism. This dissertation intends to outline the principles and validity of accommodating regionalism for the purposes of arresting, containing and defusing separatism in Ukraine. The devolution of power and accommodation of regionalism are important considerations for administrative reform of the Ukrainian state, whose current conditions and prospects for an administrative system reform and the steps for its undertaking are analyzed, and the experience of Poland's recent successful administrative reform, as a model for Ukraine, is also examined.

Key concepts: administrative division, region, regionalism, separatism, decentralization, deconcentration, devolution, accommodation, unitarism, federalism, local government.

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Table of Contents

Introduction	1
I. The nature and objectives of administrative reform	29
II. Ukraine's territorial reform and regional politics	60
III. Power devolution: the basis for local governance	89
IV. Administrative reform in Poland in 1990-1999	118
V. Polish reforms and their mechanisms	149
Conclusion	175
Bibliography	208

INTRODUCTION

Since the early 1990s the post-communist states, including Ukraine, have gone through major transformations. These changes did vary between different countries of East-Central Europe and of the former Soviet Union. The relative success or failure of the transformation processes there rested not only on the policy choices and their dutiful implementation but, to a much greater degree, on the institutional legacies that were left in place after the collapse of the totalitarian (and in many cases colonial) regimes. These legacies significantly impacted (if not outright predetermined) the pace of progress and the rate of success in achieving the major objectives of the transformation: democratic institutions, rule of law, pluralistic civil society, competitive market economy, ever increasing standard of living, openness to the world, national consolidation, independence, and security.

In 1990s several clusters of reform-oriented countries emerged in the open space of what once was the Soviet Union and its satellite countries of East-Central Europe and the Balkans, divided by the degree of success in such a transformation. The combination and the scope of totalitarian and imperial state institutions, with the intervention of the variables of national consolidation and relative socio-economic backwardness, which correlate well with the distance from the European developmental core, have produced the following clusters (I have adopted this concept and the categorization – with some additions and modifications – from Alexander Motyl).¹

These clusters are:

¹ Motyl A. (2003), "Making Ukraine, and Remaking It", the Petryshyn Memorial Lecture in Ukrainian Studies, Harvard Ukrainian Research Institute, 14 April 2003

- 1) relatively successful – having been least totalitarian and colonially dependent and with high degree of national consolidation and proximity to the core: Croatia, Czechia, Estonia, Latvia, Lithuania, Hungary, Poland, Slovakia, Slovenia;
- 2) lagging behind with mixed results – with varying degrees of totalitarian and colonial legacies, relatively weak national consolidation and historic backwardness due to their relatively peripheral position: Albania, Bosnia, Bulgaria, Georgia, Macedonia, Moldova, Romania, Serbia, Ukraine;
- 3) largely failing to achieve the objectives – with the most totalitarian and imperial legacies, varying degree of national consolidation and deeply-rooted backwardness largely due to their peripheral position: Azerbaijan, Armenia, Belarus, Kyrgyzstan, Qazaqstan, Russia, Tajikistan, Turkmenistan, Uzbekistan.

The first group has managed to successfully make the transition to democracy, rule of law, market economy and civil society because it was relatively easy for them to do so from the institutional perspective. This group consists of polities that emerged mostly (except for the Baltic states) from the Soviet Union's outer imperial sphere of influence, with rather more authoritarian than totalitarian political systems, at least in their final years of existence. Upon gaining their full sovereignty by 1992, they all possessed more or less sophisticated state apparatus, experienced bureaucracies, political and cultural elites, security and police forces, court system, relatively coherent economies with substantial market elements (private property rights, etc.) and semi-autonomous social institutions (churches, some NGOs, etc.). No wonder, that all these countries have met the EU's accession criteria within a decade thereafter.

But this group has become successful not simply because they chose to adopt more radical reform policies but because they were able to make this very choice due to being least totalitarian and imperial and, thus, institutionally capable to do so. The “shock therapy” of the early 1990s with the following macroeconomic stabilization and microeconomic adjustments were logical evolutionary steps in a series of reforms that actually started decades before the opportunity to radicalize them came along. Therefore, the gap between the East-Central European front-runners and the rest of the “pack” was largely systemic in origin that could not be quickly overcome. This gap was also exacerbated by historical disparities (the ECE being the most socio-economically advanced part of the Soviet empire and the closest to the European core), as well as external stimuli (clear prospects for joining the European Union and NATO), and the higher degree of national consolidation, as the nation-building processes, in most cases, were largely complete before the start of the comprehensive transformations.

The other two groups consist of the institutionally more totalitarian successor polities of the former empire; they possessed little or no market elements and totally lacked any autonomous institutions. Although they did possess bureaucratic apparatuses and various symbols of sovereignty, with the exception of Russia (which inherited the core of the imperial state), their bureaucratic cadres were typical (semi)colonial administrators not accustomed to independent decision-making, and lacking the elite’s leadership skills. The second group has inherited a mixed institutional legacy that could not produce rapid successful results and had to first build the necessary institutional capacity for further strive. The third has lacked the institutional preconditions for success altogether and, therefore, could not be realistically expected to produce the desired

outcome anytime soon. The factor that made the difference between the second and the third group is the extent of imperial rule (more or less direct). The more direct the rule was, the less skilled and more inefficient the polity's elite ended up being.

The second group possessed necessary features of formal democratic institutions on the one hand and authoritarian leaders, corrupt bureaucracies, and parasitic elites on the other. Elites were well situated to enrich themselves but, nevertheless, were also facing the increasing pressure to play by certain rules. Such regimes were intrinsically weak and unstable but even lip service adherence to formal democracy and market economy somewhat protected these institutions, promoted their development and provided some space for political opposition, economic competition, social innovations and civic organization to emerge and grow, thereby constraining the elite's parasitic role. These regimes are prone to be most vulnerable during the internal power struggle, especially in the case of the leadership succession, which opens up an opportunity for the opposition to make its biggest impact on the course of development. Quite predictably, some of the group's countries were able to evolve more rapidly towards the ultimate goals – Romania and Bulgaria – without protracted turmoil due to the substantive external support and incentives (the EU membership), while others – Georgia and Ukraine – experienced popular upheavals and foreign interventions that opened up new avenues for accelerated development.

The third group generally developed highly personalized dictatorships that largely rested on state control of the economic system predominantly based on the extraction of natural, foremost energy, resources. The states appeared to be very stable, and

furthermore, required stability for their very survival that could easily lead to stasis, stagnation and is doomed to inevitable decline, unless there will be a genuine effort to build the necessary institutions, which some of the group's countries are struggling to build: i.e., Armenia, Azerbaijan, Qazaqstan, Kyrgyzstan. Russia presents a case where initial quite radical attempts to leap forward through the transformation process actually resulted in the weakening of fragile institutions, which could not withstand political reaction, and provoked a backward movement towards even more authoritarianism that existed in the early 1990s. Nowadays, Russia has become a fully consolidated fascizoid dictatorship with an increasing tendency to threaten and even invade the countries from the second group – Georgia in 2008 and Ukraine in 2014 – to explicitly prevent them from moving toward the first group, which are protected by their NATO membership.

To illustrate this theory, let's look at the cases of representative countries from each of the groups: Poland, Ukraine, and Russia. Although Poland remains relatively poor and underdeveloped country (in comparison to the "old" EU members), it is one of the most successful transitional countries, which was confirmed by its 2004 accession to the EU. The factors that secured the relative success of the Polish model of transformation were (besides being the least burdened by the totalitarian and colonial legacies) were:

- relatively high degree of ethnic homogeneity and national consolidation;
- a broad consensus on the need and the political will for reforms;
- the reforms were rapid, systemic, comprehensive, and pragmatic;
- social sensitivity and a successful public relations campaign;

- European and American encouragement to and support for the reforms (clear EU and NATO membership prospects).

There are a lot of challenges ahead, such as catching up with the European standards of productivity and living, securing the diversification of energy sources, evening up of regional disparities, modernization of agriculture and infrastructure, and so on, but generally, Poland's modernization prospects look very bright, even despite the recent setbacks in judicial independence and press freedom, as well as rising isolationism and xenophobic sentiments.

Unlike Poland's, Ukraine's prospects were at best dim from the start of the transformation. Its colonial state structures could not provide firm grounds for comprehensive reforms. Having endured seven decades of a totalitarian regime, it has managed to attain its formal independence (not an insignificant achievement under the circumstances!) but met it with a set of institutions that were put in place to reproduce totalitarian patterns of behavior. For more than two decades since formal independence in 1991 Ukraine has been largely economically stagnant and politically deadlocked without apparent benefits of breaking away from Russia. But that period of relative stability in the absence of either radical economic policies or social upheavals allowed Ukraine to build the very political, economic and social institutions it lacked in 1991. Their gradual emergence and entrenchment made all the difference in the subsequent breakthrough to democracy in the aftermath of the "Orange revolution" of 2004 and especially after the Euromaidan uprising and ensuing Russian aggression a decade later.

The “Orange revolution” and the Euromaidan were not only watershed moments between Ukraine’s authoritarian post-communist period and a potentially liberal democratic one but also between its post-colonial era and a truly sovereign one, as the ongoing war (in everything but name) with Russia indicates. It also showed that, despite being ravaged by deep historic cultural and regional cleavages, a new national unity is slowly but surely taking shape – the calls for separatism were overwhelmingly rejected even by the culturally Russophone population of the regions not under the direct Russian occupation. Therefore, what appeared to be systemic stasis to foreign observers was really gradual institution building. Although Ukraine had emerged from the Soviet collapse with few very weak institutions of democracy, state- and nationhood, market economy, and civil society, since then (although with a number of setbacks in 2010–2013) it managed to acquire and strengthen many of them, thus, having undergone an enormous transformation. These now quite robust institutions stimulated by vigorous civil society acted very successfully during the course of the revolutionary crises, proving that presently Ukraine is as well situated as Poland was in the early 1990s to finally embark on the path to the democratic development.

The factors that impede Ukraine’s progress are:

- still numerous vestiges of its colonial and totalitarian past;
- pervasive corruption of the state institutions in the largely meek attempts to establish and sustain the constitutional rule of law (as opposed to the rule of the law);
- still persistent culturally based regional cleavages and ambiguously articulated vision for the Ukrainian nationhood;

- strong pressure from dictatorial Russia to remain in its sphere of influence;
- large and inefficient heavy industry totally dependent on foreign sources of energy and therefore prone to geo-economic blackmail (foremost from Russia); however, this problem is being largely resolved by dismantling of this industry in the Russia's controlled territories of Ukraine;
- dilapidated infrastructure and very inefficient heavily subsidized agriculture;
- the situation on the geopolitical periphery and, thus perhaps, unclear perspectives of integration with the EU.

On the brighter side, most of these factors could and are being tackled, and although Ukraine's future in the short run doesn't look certain, its long-run prospects (assuming the transformational progress takes place as intended) are quite good.

In contrast to Ukraine, Russia in the early 1990s had tried to embark on the course of radical reforms, but in so doing, had undermined its nascent democratic institutions, thereby laying the foundation for the 2000s assault on the rule of law and civil society, moving in the direction of greater despotism and corruption. The initial pursuit of radical change polarized the society, weakened the state and created an environment of imperial nostalgia that facilitated the emergence of a seemingly strong anti-democratic ruler. The difference of a paramount significance was the fact that, while Ukraine was the object of imperial rule, Russia was the subject of the empire and, thus, came out with an imperial state apparatus and fairly skilled elite.

The problem was that the Russian imperial state institutions were of a reactionary kind and ill-suited to assist the emergence of democracy, rule of law, civil society and

market economy. The leap forward was, therefore, essentially doomed to failure, and such failure largely destroyed the radical reformers as a political force, consolidated the extreme political spectra and enabled the Russian presidency to become the supreme and exceedingly dominant institution. In the face of the chaotic nature of rules of the game, polarizing and paralyzing political developments, the oligarchs and the provincial governors tried to appropriate as many assets and as much authority as possible to protect themselves from the central government and to grab as much resources as they could to back themselves up. The ensuing state fragmentation had provoked a strong anti-reformist and anti-democratic reaction that culminated in the former imperial security forces (KGB/FSB) taking control over the state apparatus.

Democratic institutions and civil society have become viewed as obstacles to state consolidation, and furthermore, as agents of foreign conspiracy to undermine Russia's "greatness". This reaction was only accelerated by the fact that modern Russia is itself an imperial polity conducting anti-secessionist colonial war in the Caucasus and too slowly realizing the need to come up with a post-imperial nation-building project. It is apparent that Russian elite pushes for authoritarian modernization, not unlike China and Southeast Asian "tigers", but the viable prospects for such a modernization remain problematic, as Russia remains focused primarily on extensive extractive sources of revenue for its modernization efforts. For as long as the energy prices remained high, Russia followed the footsteps of the Soviet Union in the 1970s – early 1980s with the very gloomy prospects at the end. Resource extracting despotisms have a poor record in modernization successes. Russia's ongoing transformation into a "petro-state" skews the rest of the economy outside its energy (destined primarily for export) sector. The current

isolation and the sanctions regime imposed by the West in reaction to the Russia's aggression against Ukraine and the meddling in the domestic affairs of the US and European countries, as well as the more twofold drop in crude oil priced seriously crippled Russia's chances to achieve its objectives.

Among the factors that propel Russia's democratic regress are:

- strong imperial nostalgia and longing for a superpower status;
- relative backwardness of the economic structure controlled by the state (Senator John McCain perceptively called Russia "a gas station masquerading as a country", with an adjacent liquor store and a gun shop, I may add);
- deeply-rooted totalitarian traditions of suppression and suspicion of change;
- favorably high prices on an increasing demand for crude oil and natural gas;
- huge expenditures on maintaining its (semi)colonial empire and "great power" status (the Chechen war, military bases throughout the CIS, vast nuclear arsenal).

It remains to be seen how long it will take for the Russian ruling class to realize the insurmountable obstacles on the road to authoritarian modernization (weak state, inefficient and corrupt bureaucracy, monocultural economy, excessive military burden, etc.) and make necessary adjustments or change the course altogether, but both short and long-run prospects for Russia don't look very promising. The more (self)isolated Russia becomes, the more difficult it will be in the absence of a viable alternative force to change the inertia of building up the state and its consolidation. When the state interests become paramount and overwhelming, as the Soviet Union demonstrated, the state's

efficiency and effectiveness of self-perpetuation declines, resources are diverted and misappropriated, corruption blossoms, and the state apparatus becomes the impediment to modernization.

Many ECE countries also launched major administrative reforms. Yet, only a few of them managed to successfully implement the wide scope of the proposed decentralization reforms. Poland is one of the best examples of a successful decentralization reform in ECE. Decentralization of state functions in Poland began in 1990 with the creation of local self-governing communes, which over time acquired more numerous responsibilities and additional funding to sustain them. The sound success of the local government reform laid the foundation for the subsequent phases of the administrative reform and further decentralization. In 1999 two more tiers of government were (re)created – county and region. They were assigned precisely defined functions and received specified financial resources, mainly shares in tax revenue. Decentralization reforms were intended to eventually result in the more efficient use of public resources and a better quality of public services, the goals they generally are thought to have achieved.

The new model of Polish public administration was based on the principles of: *public participation*, where citizens are able to shape and control the local public institutions and policies that are closest to their daily lives; *subsidiarity* – the division of public responsibilities in such a way that the responsibility for every function is assigned to the lowest level of government capable of performing that function; *flexibility* – the ability to respond rapidly to changing conditions and public responses; *transparency* and

openness of public decision-making process and *accountability* of the elected officials. This was deemed to be essential for the subsequent development of democratic political traditions within the broader new pluralistic political culture.

The quintessential feature of the reforms was their systemic nature as their “package” also included public education, healthcare, and social security. The reforms were also aimed to ameliorate regional disparities in the level of socio-economic development that persist between western (Poland A) and eastern (Poland B) parts of the country. Therefore, new regional authorities were endowed with some planning powers to assist both local and national efforts, although such a profound accomplishment will have to take a lot of time to bear fruits.

A country that has long been lagging behind in attempting an administrative reform is Ukraine. Like Poland, it has historically distinct regions and regionalisms, but unlike Poland, Ukraine has not managed to achieve a relatively high degree of national consolidation where regional and national identities are complementary rather than competing ones. It has greatly to do with the fact that Ukraine is a much younger nation-state – attaining the nationhood as recently as 1991, and it takes a great deal of time, at least a couple of generations for a new identity to get firmly established. Also, unlike Poland, where regionalism has a predominantly socio-economic dimension, Ukraine’s regionalism is heavily vested in substantial cultural (ethnic, linguistic, religious, etc.) differences on top of the socio-economic ones; these cleavages have had clear political manifestation in the series of consecutive national elections with the voters’ preferences persistently expressed to a larger extent along cultural divisions rather than along

ideological ones. The lack of a strong national identity and the (although not universal) presence of relatively strong regional identities made it a rather risky proposition to proceed with the decentralization reforms, despite the initial intention to quickly reform the inherited Soviet colonial highly centralized administrative system.

Paradoxically, the political forces that had to gain the most from the central power devolution – the national democrats – strongly opposed it on grounds of preventing separatism and strengthening the nascent Ukrainian state. The ruling authoritarian regime by its nature was never much interested in genuine power devolution, as it would deprive it of uncontrolled (mis)appropriation of financial resources. Therefore, the only politically feasible type of decentralization available was deconcentration, but lack of transparency and accountability of the regional offices and officers made little (if at all positive) difference. The real opportunity for the administrative reform has finally arrived in 2005 in the aftermath of the “Orange revolution”; an unprecedented position of the deputy prime minister in charge of the administrative reform was established. The government’s concept of a comprehensive administrative reform somewhat modeled on the Polish example was publicly presented for the discussion and was immediately challenged by several other conceptually competing proposals. Unfortunately, the window of opportunity to push for the reform was quickly shut, as the “Orange” coalition squandered its political capital in the ensuing internal struggles, and the issue was effectively postponed until another “revolution” a decade later reopen this window, and Ukraine currently is considering another go for it.

Only this time more liberal-minded reformists advocate systemic and comprehensive package of administrative reforms, including power devolution, territorial reorganization, fiscal, pension, healthcare and education reforms within the framework of the unitary state, while the new opposition is too intimidated to call for federalization of the country in the face of Russia's calls for the same.

The relevance of this dissertation is brought about by the urgent need for optimization of the administrative and territorial division of Ukraine, improvement of its system of public administration, decentralization of power, and development of local government. These problems, to one degree or another, are typical in other post-Soviet states as well, which to a significant extent broadens the theme of this investigation.

The object of study is administrative reform in Ukraine as a means of making society more democratic and of developing local government. *The subject of study* is public administration, the system of governance, and social relations in the Ukrainian society.

The territorial organization of governance in Ukraine is undergoing a deep systemic crisis. The administrative practices in state agencies and the condition of local government do not meet modern European standards, and consequently, impede the country's strategic course toward European integration. The loss of trust in authority is widespread, which gives rise to political and social tensions in society, and leads to the dissociation of citizens not only along socioeconomic, ethnocultural, and political lines but also along geographic lines. This all undermines the prestige of the state in the eyes of the people.

Regionalism rooted in socioeconomic, political, and ethnocultural factors is an urgent problem in Ukraine today. Present-day exacerbation of regional antagonisms is clearly and consistently manifested in electoral opposition during election campaigns. The degree of social stress in Ukraine poses a definite threat to the process of building a unified nation from an ethnically and culturally diverse population. The ongoing Russian intervention and the occupation of the Ukrainian territories of Donbas and Crimea only exacerbate these threats but do not change the nature of the domestic institutional problems of administrative transformation facing Ukraine. An understanding of its perspectives and a search for optimization paths determines the choice of subject and determines the goals and objectives of this investigation.

The goal of this dissertation is to develop a theoretical framework for the territorial organization of the state, as well as the level of its conformance to new political realities facing Ukraine; a methodology of interdisciplinary research of reforms; and the search for the political consequences of such reform. The attainment of this goal is demonstrated in the formulation and the resolution of the following:

- description of the current state of organization of public administration in Ukraine;
- assessment of the effectiveness of approaches and methods of the modern territorial organization of governance and its ability to effectively and efficiently influence processes of socioeconomic, cultural, and political territorial development;
- demonstration of the disparity between the existing administrative division of Ukraine and new political and socioeconomic realities;
- demonstration of the need for a fundamental resolution of problems of state administrative division and a new territorial organization of governance in Ukraine;

- identification of trends and prospects for a modern regional policy, as well as factors influencing regional electoral outcomes;
- demonstration of the advantages of decentralization and deconcentration of administration to make public life more democratic and to accelerate socioeconomic development of Ukrainian regions;
- analysis of the current state of local government and the need and feasibility of its revitalization through administrative reform;
- examination and comparison of main features of Poland's administrative reform;

The methodological and theoretical foundation of this dissertation draw on general academic methods that reflect the interrelationship of the territorial division of the state and the territorial distribution of power, with an effective system of state administration and development of democracy; a dialectical approach in combination with a systematic political scientific approach, which ensures an understanding of the patterns of state administrative division. Basic ideas are used of the historical and logical approach to social phenomena and processes, and of methodological development with due regard for the special aspects of the subject and object of study. Of special methods, use was made of structural-functional analysis and conflictology, which allows for the examination of the subjects and objects of reform, as well as its political and social consequences. Methods of applied sociological investigation, expert review, and content analysis were used.

The empirical basis for the work comprised results of studies done by Ukrainian experts from a number of academic institutions and research foundations on issues of administrative and territorial reform. In particular, data were used from the Center for

Political and Legal Reforms, the National Institute for Strategic Research, the Institute for Demographic and Social Research, the National Academy of Public Administration, the Association of municipalities and communes, the Association of local and regional authorities, and the Interregional Alliance of local government agencies. In the course of the study, legislative and other regulatory documents were studied on the problems of the administrative division of Ukraine and the organization of local government, along with materials of nongovernmental organizations dealing with this topic, and periodicals devoted to problems of administrative reform and decentralization of power and local government.

Due to the multidimensional nature of the subject, its assessment requires attention to theoretical sources from various fields of knowledge: political science; sociology; history; social psychology; conflictology; political, social, and economic geography; social and political forecasting; and others. Over the past decade, interest in global affairs has grown for the study of problems of public administration, of the territorial division of the state and the territorial distribution of power, and of regionalism and local government. A considerable number of publications have appeared in Ukraine, devoted to the problem of state administrative division, federalism, administrative reform, national integration, and democratization of society. Among these are the work of Averyanow (1997), Halçinškiy (2004), Hnidük (2002), Hricak (2004), Dnistränskiy (2000), Kampo (1996), Koliuško et al. (2001 & 2005), Kołodiÿ (2001), Konotopcew (2005), Małgin (2005), Parxomenko (1999), Popowkin (1993), Puxtinskiy (2005), Riabchuk (2003), Serhienko (1993), Suşinskiy (2000), Tixonow (2004), Todika (1994), Tuxninskiy (1996), and others.

Territorial divisions play crucial roles in social and economic development of both the state and the regions. Borders of provinces, counties or communes create formal framework in which different actors of socioeconomic and political life perform their functions. The basic principles of effective regional policy are solidarity, subsidiarity, decentralization, and deconcentration (Kulesza, 1998). The key problem here is the respect for the autonomy of the regions in carrying out the development programs of the central government. Regional governments are primarily responsible for their implementation, with the central government monitoring and controlling overall program performance. Such a model retains competition between regions but ensures the implementation of the principle of solidarity and the promotion of balanced development by the central government. The state must be able to effectively use the sources of structural policy in order to activate its underdeveloped regions; restructure industrial regions in decline; and improve the competitiveness of the economy as a whole (Balchin et al, 1999).

The principle of subsidiarity constitutes one of the foundations of the restructured state and allows for the realization of only those national regional development programs, which have been agreed on with the provincial authorities (Bernard, 1999). Subsidiarity is the division of public responsibilities in such a way that the responsibility for every function is assigned to the lowest level of government capable of performing that function. In legislative and governmental perspective and practice, the principle of subsidiarity entails decentralization and deconcentration (Hoffe, 1996).

Decentralization is widely regarded as a necessary condition for social, economic and political development (Grochowski, 1997). Through decentralization, many of the

responsibilities of the national government are assigned to local and regional communities. This new assignment of responsibilities removes the national government from the day-to-day operation of broad areas of public administration and development. Through deconcentration, the national government also places other responsibilities in the hands of its territorial representatives at the provincial level, or delegates them to lower-level self-governing bodies so that functions, which still belong within the purview of the national state, can nonetheless be carried out more effectively by governments closer to the citizenry (Coulson, 1995).

As a result, the government no longer has to administer or execute tasks of a local or regional character. Thus, the central government had to be reorganized by simplifying administrative procedures, clarifying and focusing responsibilities, and decentralizing authority. By delegating responsibilities, the central government relieves itself of performing the local tasks that had been delegated to the sub-national levels, while allowing itself to focus on truly strategic issues of modern democratic governance, such as international affairs, improving the overall rule of law, and ensuring the nation's balanced development.

Decentralization is the devolution of administrative responsibilities and control over public finance from the national government to local and regional governments that are democratically elected, have independent legal identities and budgets, and are fully responsible for the duties that have been assigned to them. Local and regional governments are not subordinated to the central government and operate freely and independently, subject only to the state's legal review. Democratically elected

representatives at the regional and local levels are fully responsible for the functions that have been transferred to them (Gilowska et al, 1997).

According to B. Smith (1985), "...decentralization means both reversing the concentration of administration at a single center and conferring powers of local government" and involves the delegation of power from an upper tier of government to a lower one in a territorial hierarchy of a state. Decentralization is concerned with the territorial distribution of power and with the extent to which the authority is dispersed through the geographical hierarchy of the state. Decentralization may be applicable to both unitary and federal states – these two major constitutional forms of states. The need for some form of decentralization appears to be universal and comes out for reasons of practical administration. The functions of the modern state require it to operate at the local level, where taxes are to be collected, laws enforced and benefits paid.

Moreover, many states have to come up a response to localized political demands for greater autonomy. Elsewhere in the world, national governments are using decentralization as a strategy for coping with the political instability which is threatened by secessionist movements and demands for regional autonomy. Whether decentralization constitutes an adequate response to demands for autonomy will depend on how extreme those demands have become, which, in turn, will depend on the level of repression experienced in the past. As Smith emphasizes, "the irony of this situation is that it is often brought about by minority groups that would dearly love to 'integrate' if that meant enjoying equal rights with the majority population. However, it is a sense of discrimination within the larger community that so often forces minority cultural and ethnic groups to seek autonomy".

Smith further describes the elements of decentralization of the state apparatus that are common to all systems of decentralization. First, decentralization involves one or more divisions of the state's territory and, thus, requires the delimitation of areas. "If the purpose of decentralization is to reflect the needs or wishes of local communities then the delimitation of areas will have to reflect settlement patterns and the spatial distribution of those communities. The spatial patterns of social and economic life thus may be thought an appropriate basis for demarcating communities for political and administrative purposes". A sense of political identity may, however, be associated with many other factors than settlement patterns. Language, history, culture, relatively isolated location and tradition may preserve administrative and political boundaries which have a political significance and force of their own. Such areas are deemed by the political system to merit special treatment constitutional and administrative terms. They are accepted as facts of political life.

Efficiency is an alternative principle of power division. The state may be divided into areas with characteristics (such as population size or density) that are believed to be related to the efficiency, with which a public service may be administered. The delimitation of areas requires a technically defined optimum for size and shape. The frequent lack of coincidence between areas defined technically and those defined by reference to settlement patterns is one of the lasting problems for the state when organizing a system of decentralization. The decentralization also entails the establishment of institutions and the recruitment of office holders. The institutions of area governments normally require the recruitment of lay personnel as distinct from the professionals and administrators in government bureaucracies. Lay office holders have a

local political base, including connections with and membership of other organizations in the area, especially political parties. They are recruited from their area and generally only hold office within that area, at least as far as their participation in area government.

Decentralization involves the delegation of authority, which may be broadly classified as either political or bureaucratic. Political authority is delegated when power is devolved through legislative enactment to an area government (as in a unitary state) or allocated between national and area governments by the constitution (as in a federal state). Such delegation creates political institutions with the right to make policies for their areas over which they have jurisdiction. Area governments thereby acquire a measure of autonomy to exercise powers which fall within their jurisdiction. They gain legitimacy from the unique local political system over which each government exercises some jurisdiction. They normally have some independent revenues. However, even in federal states and always in unitary states this autonomy is never complete. The discretion which area governments can exercise is limited by the influence and sometimes the control which the national government can exercise over its subordinates.

Bureaucratic authority derives from the delegation of responsibilities from the center of the decision-making to the periphery. The discretion which the local representative of the central government may be able to exercise depends on what decisions superiors in the state hierarchy are prepared to delegate. The exercise of decentralized bureaucratic authority is subject to organizational controls and influence. The legitimacy of the authority so exercised is based on appointment. The authority delegated to field staff is managerial or administrative, though its political significance at the area level may be considerable. Bureaucratic decentralization, or deconcentration, is frequently

employed to reduce the forces of localism and enforce uniformity in decision-making across the country, unlike political decentralization which is designed to reflect the unique characteristics, problems, and needs of different regions and localities.

Political decentralization is usually assumed to entail democracy. Smith stresses that when considered in the context of political theory, it is usually assumed that decentralization will be of the political variety. Decentralized government for those concerned with the normative evaluation of forms of political authority is taken to imply two fundamental conditions. The first is that the territorial subdivisions of the state will have a measure of autonomy and be self-governing through political institutions, which have their roots within the territory for which they have jurisdiction. The second is that those institutions will be democratically recruited and take their decisions according to democratic procedures; decision-makers are elected representatives accountable to voters who participate in other ways in the political life of local communities or regions.

However, political decentralization does not necessarily require a democratic process, and decentralized governments may vary in the extent to which they satisfy democratic criteria. The first condition (self-governance) does not entail the second (democracy) since a community might well be self-governing through hereditary kingship, feudal institutions or other forms of government. The local-level government might be highly decentralized but based on traditional elites, as in some forms of indirect rule practiced by imperial powers such as Britain within their colonies (Grierson, 1972; Cannadine, 2001). The different forms that decentralization can take also suggest that this part of the state apparatus may be viewed very differently depending on whether the viewer identifies with the center or with a region. A high degree of decentralization to an appointed state official exercising broad

powers within a locality will look highly centralized from the perspective of the community.

Nowadays the assumption is generally that self-governing territories within the nation-state will be democratically organized, though there is a difference of opinion as to how effectively institutions and procedures fulfill democratic requirements. Free and fair elections with universal suffrage may satisfy one view of democracy, whereas another view will regard them as a sham if large sections of the population are too uninformed, poorly organized, or repressed to articulate their political demands effectively. There are also differences of opinion as to how necessary democratic, local self-government is to the political health of the modern democratic state. Territorial interests may be put among those sectional interests, which are opposed to the society as a whole, represented by the national legislature. Sovereignty may be regarded as unified, not dispersed. Democracy, therefore, implies centralization rather than decentralization. However, arguments about the desirability of localized democracy do usually agree as to its nature.

Politically, decentralization is viewed to strengthen accountability, political skills, and national integration. It brings government closer to people and provides better services to client groups. It is to promote liberty, equality, and welfare and provide a training ground for citizen participation and political leadership, both local and national. It has even been elevated to the role of guardian of basic human values. Yet, as Smith points out, “decentralization is not without its critics. In the context of some theories of the state, decentralization appears parochial and separatist. It threatens the unity of the general will. It reinforces narrow, sectional interests. It is anti-egalitarian through its support for regional variation in the provision of public goods”.

Paddison (1983) observes that “one of the very pronounced tendencies within the modern state is the apparently inexorable trend towards centralization”. Moreover, within the liberal democracy, decentralization has ideological foundations integrally bound up with the makeup of the state. Improvements in transport and communication technologies have been instrumental in fostering centralization. Increased mobility has also fostered centralization by extending the spatial incidence of the costs and benefits attached to the goods and services that sub-national governments deliver, leading in turn to pressures to reorganize political territories over larger areas. One basis, on which local governments are predicated, is the matching of the delivery of those public goods with the territorially defined populations likely to benefit from the service; that is, given that the benefits of a service are local and that they are spatially identifiable, the boundaries of the jurisdiction should be drawn correspondingly.

The expansion of government activity in the modern state has usually been accompanied by the progressive centralization of the polity. Politically, this centralization has been signaled in a variety of ways: by the transfer to a higher and sometimes national tier of government of functions that even at the beginning of the present century were provided by local jurisdictions; by the relative growth in stature of the national government measured by their spending patterns vis-à-vis lower-level governments; and, more generally, by the increasing emphasis on the central organs of government. Even in the federal state centralization has steadily moved the political focus towards the national government (Zimmerman, 1992; McMinn, 1994).

Federalism is regarded to be a highly decentralized form of government because, unlike devolution, the main area governments receive their powers not from the national

government but from the constitution upon which the central or federal government is equally dependent for its sphere of jurisdiction (King, 1982; Elazar, 1987). However, it is not unusual for federal constitutions to contradict the principle of federalism by assigning some power to the federal government over the regional governments. Also, the way in which federations have evolved makes the two main levels of government increasingly interdependent. And it is possible for a unitary state to devolve substantial powers to provincial governments so that a quasi-federal arrangement exists (e.g. Spain).

Political centralization is also influenced by the wider societal changes involved in the modernizing process. The steady absorption of different regions within the national economy has helped in binding the state politically, though some take this further, arguing that national economic integration is an inevitable precursor of the politically integrated state. This question apart, political integration has in many countries accentuated the ascendancy of the national government over the sub-national jurisdictions. Although modernization works to bring the component parts of the state together into an economic whole, in the capitalist state the benefits of economic development are not distributed evenly. This can lead to demands for redistributive measures by the central government and thus influence the patterns of centralization and decentralization within the state (Regulska, 1997). One of the defining features of this center-periphery model, the domination of one unit by another, has political as well as economic implications (Keating and Loughlin, 1997).

Although decentralization does have a universal appeal, its tendencies are most prominent in the European Union and its member states. The ideas of European federalism are explored by Jeffery and Strum (1993), Hesse and Wright (1996), while

Mény (1986) and Rousseau and Zariski (1987), Jeffery (1996) addressed the comparative European experience of power devolution. The Spanish practice of decentralization is examined by Moreno (1997) and Colomer (1998); the French one – Schmidt (1990), Loughlin and Mazey (1995), Raymond (2000); the Italian – Putnam (1993), Desideri and Santantonio (1996); the British – Bradbury and Mawson (1997) and Bogdanor (1999). The implementation of administrative reform in recent decade in East-Central Europe was accessed by Fitzmaurice (1998) and Kirchner (1999), Regulska and Regulski (1999); its particularly successful application in Poland: Regulska (1998), Regulski (1998), Bokajlo (2000), Kowalczyk (2000), Kozak (2000), Regulski (2000), Grochowski and Regulski (2000).

Fundamental propositions to be defended:

1. The existing system of executive power in Ukraine, despite the attempts at its reform, is inadequate to address either the challenges faced by the state or modern standards of governance.
2. The current state of hyper-centralization of state institutions and agencies has acted as a brake on the socioeconomic development of Ukrainian territorial formations.
3. Administrative division plays a significant role in the social and economic development of both territorial formations and of the state as a whole.
4. A rational administrative division of the state is a necessary condition for the effective socio-economic development of the country, for national integration, and for improving the public's well-being.

5. The current system of administering regional development in Ukraine is chaotic and inconsistent, resulting in serious contradictions between state executive branch agencies and local government administrative bodies, both horizontally and vertically.

6. The ideology of developing and implementing administrative reform in Ukraine requires a statutory provision regarding a democratic, social, and constitutional state whose territorial division is based on the principles of the unity and integrity of its territory and a combination of centralization and decentralization in the exercise of state power. This assumes an ever-greater level of democracy and a transfer of significant central authority to the regions and to local government agencies.

CHAPTER I

THE NATURE AND OBJECTIVES OF ADMINISTRATIVE REFORM

The administrative division and territorial system of governance play a paramount role in addressing issues of the nation's socioeconomic, political, and cultural development, its transportation infrastructure, the delivery of decent administrative and social services to the public, and many other issues having to do with the management of society's vital functions. An administrative division is formed over the course of a nation's historical development, taking account of the interests of those living within its constituent territories at various periods. In turn, it is a component of the nation's administrative system. Regionalism and the nation's regional policy often have a decisive influence on the administrative division. Administrative division is directly related to such concepts as unitarism and federalism, decentralization and deconcentration of power, and development of regional and local government. Thus, in speaking of the issue of administrative reform in Ukraine, it is worth briefly analyzing the current state of and prospects for the Ukrainian state administrative system and the steps being undertaken for its reform.

Currently, Ukraine is undergoing a broad systemic political crisis. One reason for this is the inefficiency of the current administrative system of government and public authority. It represents an eclectic mix of old institutions inherited from the Soviet period and new ones created during the period of independence. This is the source of its internal inconsistency, incompleteness, ineptness, and detachment from the interests of the

general citizenry. Over a quarter of a century of independence, the state authority in Ukraine has thus not become a highly effective state institution, despite repeated attempts at reform. It fails to measure up to both the challenges facing the nation and to modern administrative standards. The effectiveness of the executive branch is very low in all areas of its activity. In addition, the current public administration system has acted as a brake in carrying out economic and political reforms. Another important reason, of course, is the direct aggression and intervention by Russia, which forces Ukraine to redirect its efforts and resources elsewhere.

An unreasonably large number of executive branch agencies of effectively identical status operate at the central level of public administration in Ukraine, with extremely poor coordination. The convoluted mechanism of state influence on local government administrations remains ineffective. The system of governance does not satisfy society's need for dynamic development and does not provide for the comprehensive creation of a market economy, development of democratic dispensation, or establishment of the rule of law.

One of the fundamental causes of the ineffectiveness of public administration is the inefficiency of the state's administrative division and the territorial distribution of governing authority and responsibility among tiers of state and local government agencies and officials. The underdevelopment of civil society and of local government—and consequently, the lack of civilian control—negatively affects the activities of public administration agencies, both centrally and locally.

A tremendous gap has been created between, on the one hand, the declared objectives of social transformation, i.e., the creation of democratic institutions, the assertion of the supremacy of law and of pluralistic civil society, the creation of a competitive market economy, the achievement of national consolidation, and the strengthening of sovereignty and security, and, on the other hand, the rather sorry outcome. This puts into question the very substance of these changes.

Thus, for Ukraine, the issues of optimizing the system of public administration and of the administrative division, of decentralizing public authority, and of developing local government are matters of vital importance. They lie at the core of discussions between state authorities and non-governmental organizations, political analysts, legislators, and of the public at large. And this surely suggests that the question of restructuring the system of public administration in Ukraine is perceived by the public as the most important factor for positive change.

It should be noted that the issue of systemic administrative reform became universal starting in the 1980s. Administrative reform that impacted the public sector and the functioning of the state machine started to come about in many developed nations at that time. The need for these reforms was rooted in economic and social factors, as well as in political circumstances. The principal reason, as was noted by Butler, was the "growing pressure on state spending by a combination of social factors, caused by an increase in the number of pensioners and a catastrophic reduction in the size of the economically active population, the growth of unemployment, and the continual increase

in the public's consumer expectations regarding not only overall living standards, but also the standards of services rendered by the government".²

In various countries, the approach to and direction of reforms assumed a unique profile, having specific emphasis and priority. However, despite the variety of reform programs, expressed in the specifics of approaches to their preparation and implementation, it becomes ever more evident that these innovations share a number of generally valid characteristics that are so pronounced that researchers have begun to speak of "the coming of a new epoch in public administration—the epoch of administrative reformation".³

The established trends of administrative reform over the most recent decades permit a conclusion regarding its strategy, which is directed at rejecting traditional public administration—with its adherence to rules, procedures, uniformity, and straightforward obedience to the letter of laws—in favor of innovative management—with its flexibility, personal responsibility, and fundamental involvement of lower echelons of bureaucrats in the development and improvement of management methods. State management (or new public administration) represents a transformation of the philosophy and culture of administration and the inculcation, into the activities of civil servants, of a spirit of enterprise, initiative, and concern for the rights of customer–citizens, as a counter to the old bureaucratic culture of administration.

2 Butler R. (1993), *The Evolution of the Civil Service: A Progress Report*, *Public Administration*, Vol. 71, p.398

3 Wright V., *Reshaping the State: the Implication for Public Administration*, in Muller W. and V. Wright, eds (1994), *The State in Western Europe. Retreat or Redefinition?*

Reform projects come down to, first of all, a reduction in the scale and resources of public administration. And in practice, this means the privatization of functions extrinsic to a state based on the rule of law; deregulation, i.e., elimination of bureaucratic rules and prescriptions that interfere with the implementation of state policy; decentralization of administration and authority through regionalization (as in Spain and Italy), federalization (as in Belgium), and devolution (as in Britain); and the expansion of the scope of state objectives addressed by noncommercial "third sector" organizations, with a concomitant reduction in the number of civil servants, in such areas as education, healthcare, social security, etc.⁴ An important trend in reform is improving the monitoring activities of state organizations, and of the ability of such organizations to critically assess the results of their activities, adhering to the principles of resource economy, productivity, and political effectiveness.⁵

The fact that governments of many countries have embarked on a partial or more radical restructuring of their public-sector system of administration suggests that administrative reform was a common need, even if at different times and at different degrees. They have been carried out by governments formed by a diversity of political

4 Lucio M. et al. (1997), Constructing the market: commercialisation and privatisation in the Royal Mail, *Public Administration*, № 2

5 Boland T. and D Silberg (1996), Managing for quality: the impact of quality management initiatives on administrative structure and resource management process in public-sector organisations, *International Review of Administrative Science*, p.431

traditions: conservative, liberal, and socialist alike. In each case, they found themselves under the influence of two principal factors: the market and democracy.⁶

Independent states coming out of the fold of the Soviet Union, including Ukraine, also began to pay attention to issues of administrative reform. Ukraine left the Soviet system that was guided by the ideological principle of democratic centralism with an administrative–command system of governance. The leading role in the economic, social, political, cultural, and other areas of public life did not belong to agencies of state authority, but to the governing Communist Party. The level of public administration and the state of local government was extremely poor. For this reason, carrying out administrative reform was a necessity of vital importance.

Administrative reform has been pursued in Ukraine since 1997, with the creation of a special State Committee in charge of it. In 1998, a presidential decree approved the "Concept for Administrative Reform in Ukraine," which heavily borrowed from global experience with similar reforms. It provided an integral representation of the goals and principal trends, methods, and tools for achieving administrative reform. Central to the Concept was a definition of priorities to carry out organizational, operational, and government-service transformations in the area of the executive branch. Reform was proposed in many areas of the nation's public life, starting with taxes and ending with local government.⁷

6 Smorhunov L.V. Sravnitelnyĭ analiz administrativnykh reform v zapadnykh stranax // Vestnik Moskovskogo universiteta. Seriya 12. *Pohticheskie nauki*. – 2000. – № 1. pp. 54–55

7 Kohut Ihor. Adminreforma. Stari pisni pro holovne... *Komentari Forum*. – 07.12.2005. <http://ua.for-ua.com/comments/>

However, principal attention was devoted to reform of central administrative executive agencies. These were doubtless important, first and foremost, for those very agencies. But at the same time, very little attention was paid to issues that were significant from the perspective of citizens living in the provinces. This skew in favor of central agencies was apparently unavoidable, considering recent historical conditions, and was principally a legacy of super-centralized Soviet experience in the public administration system.

The 1998 administrative reform Concept undoubtedly played a certain positive role in modern Ukrainian history, but because of these skews the Concept—despite its benefits—failed to incorporate all necessary elements and fell short of being a comprehensive program of organizational changes required by the administrative system. It relied on a "top-down" reform philosophy at a time when the experience of many countries showed that a strategy of "bottom-up" reforms offered better results. But this required the introduction of both administrative and territorial reforms.

Because authorities were incoherent and indecisive in pursuing administrative reform, in the end, no significant or pivotal changes were made in past years in the system of public authority or public administration in Ukraine. On the other hand, a need arose for significant rethinking and reassessment of some trends in administrative reform (local executive branch agencies, public service, local government, and territorial division), as well as for revision of both strategy and tactics for undertaking reform-minded activities in this area.

The sluggish and ineffective pursuit of reform can also be explained by the fact that at the time neither those in government nor in the opposition were ready to pursue systemic fundamental changes. Only after the "Orange Revolution" at the end of 2004, ideas on the need for administrative reform were again publicly aired in Ukraine. The government even created a special position at the level of a Deputy Prime Minister on Issues of Administrative Reform. Its holder, Roman Bezsmertnyĭ publicly presented a program of reforms directed at reducing the number of local government agencies and enlarging territorial communes (municipalities) and having them take over the activities of a number of higher-level district authorities. However, despite its avowed good intentions, the new "Orange" regime was not able to convince the public of the desirability of such changes. Nevertheless, this had a positive outcome in that a program of reforms had—for the first time in Ukrainian lawmaking practice—been proffered for public discussion. The fact that the version of proposed reforms presented no alternatives was a different matter.

The offered concept of reform was subject to sharp criticism, particularly on the local level. At the same time, no clear counterarguments were put forward by the government. Attempts to advocate the government's concept ran into serious resistance, which was accompanied by a series of protests. The Ukraine's Association of Cities and Communes, the Ukrainian Association of Local and Regional Authorities, and the Kĭw's Center for Political and Legal Reforms (CPLR) developed and began to actively advocate their own concepts to the concerned public, government, and self-government officials at open meetings. Each document offered approaches that differed from the government's version.

Resistance to reform was principally linked to the traditional mistrust of the central authority and of any other state authority, including local administrative agencies. People had to constantly deal with irresponsible bureaucrats, corruption, fraud, graft, abuse of office, and so on. The low level of public trust in authorities and their actions amplified feelings of alienation with respect to public administration reform. And this significantly compromised the very idea of reform.

Thus, reform must take place in the context of some systemic improvement; the administrative system establishes the framework for many types of activity in the public and private sectors. All public services and agencies should conform to this administrative system. Michał Kulesza, one of the principal ideologues and leaders of Polish administrative reform of the 1990s, declared that "one cannot implement reform in, for example, an educational or medical system without knowing what the nation's basic administrative system will be".⁸

This calls for administrative reform to include a thorough territorial reorganization. The terms "administrative reform" and "administrative-territorial reform" are often confused and erroneously used interchangeably.

An administrative reform is, primarily, a reform of a nation's public administration, a process of social transformations occurring within the domain of activity of state institutions. This is "a package of political and legal steps, consisting of changes in organization, function, and government services—principally in the executive branch—for the purpose of converting the executive from an authoritative, repressive

⁸ Kulesza M., *Reforma powinna być radykalną // Aspekti samovryaduvannya*. – 2005. – № 5(31).

mechanism into an organization that serves society, and on this basis to create an effective system of public administration".⁹

A territorial reform (also referred to as administrative-territorial reform) is a change in the administrative partitioning of a country and the territorial redistribution of public authority (responsibility and accountability) and resources between public administration and local government agencies, the improvement of the administrative system on the regional and local levels, and the decentralization of state power and public administration. It includes very substantial reform of the tax system and fiscal legislation, and a large component of local government and local administration reform.

Reform of public administration is a part of more fundamental changes intended to create an open political system and mature civil society. The principal idea of reform is to decentralize public administration, to redistribute governing authority, and to fundamentally change the relationship between citizens and government. The administrative mechanism must be redirected from dominating society to serving society and its citizens. On this basis, an effective mechanism must be created for the operation of government, capable of actively engaging civil society. The task of administrative reform is in the creation of an effective, responsible, and transparent executive branch that enjoys the public's confidence and whose range of permission-granting (i.e., "bribe-intensive") functions is strictly limited.

In many countries, the term "public administration" is used to define a system of public governing agencies. This term is also used in the draft "Concept for Public

⁹ Koliuško I., Aver'yanov V., Timoşuk V., Kuýbida R., Hołosničenko I., *Administrativna reforma dlya lüdinı (Naukovo-praktičniý narıs) – Kiiiv: Fakt, 2001. p.5.*

Administration Reform" prepared by the CPLR led by Igor Koliuško, where it denotes "the entire group of agencies and other institutions accountable to political authorities, which enforce laws and perform public functions in the public interest".¹⁰

Its primary attention focuses on executive agencies of the state and local government executive agencies. Other entities that perform certain public and administrative functions may also be functionally included among public administration agencies and institutions (for example, a governing professional body that has been authorized by law to perform some functions, such as record-keeping or licensing, or even a company that, pursuant to law, performs administrative functions, etc.). Other, nongovernmental organizations vested with governing authority and given necessary resources may be created to address a number of specific issues or to satisfy specific needs. Thus, the sphere of what is called public becomes significantly broader than the sphere of what is called governmental.

To this must be added the exercise of various governing authority by cooperatives, corporations, guilds, and other nongovernmental organizations to administer many business and professional affairs. The classical example of this is medical boards that, in many countries, engage in confirming the qualifications and ethics of physicians; the same mechanisms are obligatory, for example, for the bar, notary, etc. In many countries, there are chambers of commerce and industry (whose traditions date back to the guilds of the Middle Ages) and entrepreneurial associations

10 *Koncepcija reformuvannya publichoi administracii, Kruhlyi stil «Administrativna reforma: stan, dosyahnennya ta perspektivy»*. Kiiv, 26.05.2005 roku, p. 127.

that similarly perform a number of tasks peculiar to public administration. This approach enables an integrated review of administrative issues, including at the local level.¹¹

Territorial reform is the most important component of administrative reform that aims to change the territorial management of governance in Ukraine, as well as to facilitate its decentralization and deconcentration (see the terminological dictionary in Annex 1). Without this, it is currently impossible to create an effective system of administrative state-governance and local self-governance. The need to reform the administrative division of Ukraine also flows from the mismatch between the existing system of territorial management of authority to the fundamentals of a market economy, the democratic principle of public participation, and Ukraine's strategic orientation toward European values of popular sovereignty. The requirements of article 132 of the Ukraine's Constitution, concerning "...the socio-economic development of regions with due regard for their historic, economic, environmental, geographic, and demographic characteristics and ethnic and cultural traditions" cannot be realized within the framework of existing administrative divisions.

Reform of the territorial division of governance requires a rigorous organizational as well as legal, material, financial support and trained personnel. Thus, efforts to improve local government uniformly encounter the lack of territorial basis for legislative regulation; and without a solid legal basis, all constructive proposals remain suspended in the air. Besides two articles in the Constitution (132 and 133) that codify merely the

11 Koliuško I., Timoşuk V., Reformuvati centralizovano. Aŕe z decentralizaciëu na vistri kuta // *Bületeń «Partnerı»*. – 2005. – № 11(77).

basic principles of territorial division and enumerate administrative and territorial units, not a single legislative act sets forth corresponding standards that govern the principal issues of Ukrainian national territorial organization. Ukrainian practice in state-building and local government shows that the very content of constitutional provisions addressing territorial division also requires refinement and amendment.

The structure of a state does not determine the size of its regions; they may be large (either in area or population or both), as in Canada, Brazil, Germany, or the United States, or they may be small, like the cantons of Switzerland or the communes of Luxembourg. In exactly the same way, the administrative division does not determine what specific governmental agencies may exist within administrative and territorial units, or what their scope of authority might be¹². All these issues are governed by separate laws on territorial division; issues of state constitution (i.e., unitarism rather than federalism) and, to an extent, of administrative division have already been addressed in the Ukrainian Basic Law.

The issue of the territorial organization of a nation is one of the more complex and significant not only because it relates to a number of constitutional issues, but also because of its important role in the public life. However, it is unlikely that there exists an ideal model for a system of state constitution that is applicable in each and every country. At the same time, the experience of state-building in other countries is of greater significance, although it, too, does not provide simple or unequivocal answers.

¹² Baburin S. *Mir imperiy: Territoriya gosudarstva i mirovoj poryadok*. – SPb.: Yürüdiçeskij centr-Press, 2005 p. 20.

Although forms of state structure exhibit unique characteristics across countries, forms of national territorial organization—particularly in modern nations—share common features, including a specific procedure for dividing a territory into parts, their legal status, and the mutual relationship between central government agencies and those of the component units.¹³ For example, Yüriy Todıka defines state constitution to be the "administrative and territorial organization of state authority, the nature of the mutual relationship between the state and its component parts, among these component parts of the state, and between central and local governing agencies".¹⁴

Thus, state territorial organization is not only the division of a territory into separate parts, but also is a system of governance and administration within those parts, a system of the relations between central power and its territorial components and the legal status of territorial formations, and the system of relations between parts of the state¹⁵. The interaction of these elements determines the degree of a state's centralization or decentralization and, consequently, the level and scope of capabilities for self-governance.¹⁶ Such understanding of territorial organization is reflected in constitutional theory and practice of European states, for example, Poland and Spain, which are based on the principle of decentralization and subsidiarity that Ukraine sorely lacks.

13 Çudakov M. *Konstitucionnoe (gosudarstvennoe) pravo zarubeznix stran.* – Mn.: Novoe Znanie, 2001. p. 241.

14 Todıka Yü. *Osnovi konstitucionnoho stroya Ukrainı.* – Xarkiw: Fakt, 1999, p. 61.

15 Mışın A. *Konstitucionnoe (gosudarstvennoe) pravo zarubeznix stran.* – M.: Behe alvı, 1996. p. 91.

16 Çudakov M. *Konstitucionnoe (gosudarstvennoe) pravo zarubeznix stran.* – Minsk.: Novoe Znanie, 2001. p. 241.

Thus, the concept of territorial organization of a state includes the concepts of, first, the internal division of a single state territory into its separate parts and a specific procedure for such division; second, a legal status of state territorial formations that may take the form of political (in federations) or administrative (in unitary states) territorial units; and third, a system of interaction between the state as a whole (national level) and governance instituted in the state's territorial units. It is worth noting that this concept stresses not only the territorial structure of a state but also the division of state authority hierarchically and the management of interactions between all tiers of government.

A warped interpretation of the concept of state territorial organization, notes Viktor Tixonow, allows various political factions to insist—under the slogan of advancing the unity and territorial integrity of Ukraine—on preserving the existing (and advantageous to them) centralized system of territorial organization of power. "In fact, they fear decentralization of state authority and weakening of their central control and disregard the need to strengthen regional and local government, and expansion of its jurisdiction".¹⁷

Thus, the point is not the number of units, into which a state's territory is divided, but how governing authority is distributed between the center and territorial units of state, what governing authority is vested in the latter, and what their interactions are. It is specifically this system of characteristics that is significant and distinguishes one specific form of state territorial organization from another, i.e., *federative* from *unitary* (this will be discussed in detail in chapter 3).

17 Tixonow V. *Manifest federalizma, ih puť k demokratičeskomu gosudarstvu*. – Łuġansk, 2004 – 16 December. – <http://federal.org.ua/pub/24.php?PHPSESSID>

The territory of a state is a dynamic social organism. Territorial partition plays a significant role in social and economic development for both the state as a whole and its components. Region and district boundaries create a structural space within which different economic and social entities function. Their boundaries serve as a tool for organization, control, and monitoring that is subordinate to the overall logic of the political system.¹

Social relations in any developed state are regulated on the basis of the formation of government agencies consistent with administrative partitioning that has its own historical roots in each country, although there are also general mechanisms arising from the basics of communal life and land use and facilitating the formation of administrative units. These communities give rise to a national economy, as well as interregional, regional, and local markets.

Depending on the forms of the legal regime of a given country's nationhood during a particular historical period, governing authorities are formed to regulate social and economic relations and exhibit various degrees of regional and local autonomy. In modern democratic states, regional and local authority is exercised by popularly elected agencies, which have their own exclusive jurisdiction and which independently and autonomously adopt decisions in areas of public administration within their cognizance. In federated states, regions exhibit some of the attributes of nationhood and are political (both legislative and executive) entities within federations.

Currently, there are a number of serious problems and shortcomings in the administrative division of Ukraine, requiring particular attention. One of them is

significant disparities in the size of administrative units. For example, the largest Ukrainian province, in terms of area, is Odessa province, which is almost four times larger than the smallest Černivci province. The latter is also the smallest in terms of population, with just over 900 thousand inhabitants. At the same time, the most populated province, Donećk, (before the Russian occupation in its pre-war borders) had about 4.5 million inhabitants, which means that the most populous region of Ukraine by five times outnumbers the least populous one. On a district level, this disparity is even more noticeable. The district of Xarkiw has the greatest population in Ukraine (about 186,000), while the district of Kolomak—in that same Xarkiw region—has the smallest (about 9,000) – twenty times the difference! And within these administrative units exist territorial government authorities that are identical in status, and, consequently, in the scope of authority.

These disparities are felt most keenly in the inadequate staffing of government agencies. In particular, the ratio of the number of workers employed in district public administration to the population differs significantly even within the boundaries of a single province. The very same districts in Xarkiw province offer another vivid illustration: the greatest number of district public administration workers per thousand of the population is in Ukraine's district with the smallest population (6.3, in the mentioned district of Kolomak). The smallest number is in the district with the largest population (0.8, in the district of Xarkiw). At the same time, the average number for Xarkiw province as a whole is 2.1 workers per thousand of the population. In other words, this index differs by almost an order of magnitude for different districts within the same region.

Another block of problems for the modern administrative division of Ukraine is the remoteness of governing authorities from the consumers of administrative (public) services. This is manifested in the following:

1. A large number of population centers are considerably far away from the seat of government within administrative units. In particular, 122 district centers (almost one-quarter of the overall number) are located more than 100 km / 60 miles from their provincial centers. This is particularly typical in the Odessa (17 such district centers), Xerson (9), Poltava (8), and Çernihiv (8) regions. More than 5,000 villages in Ukraine do not have a single administrative office; 2,300 of these are located more than 10 km / six miles from the closest government authority (a village council), and some are more than 20 km / 12 miles away. This was a consequence of the dependence of the system of local councils on the network of agricultural enterprises of the Soviet period.

2. Some territories were not spatially adjacent to the administrative centers of their administrative units. For example, the city of Słavutiç is physically located in Çernihiv region, but administratively, in Kïw region. Çerkassı region is situated primarily on the right bank of the Dnipro River, but three districts of its territory are on the left bank and connected to its principal area via only two bridges. The land of the Kinburn peninsula borders Xerson region but is administered by Mikołaiw region, from which it is separated by waters of the vast Dnipro-Boh estuary. The Birük Island is under the administration of Xerson region, but it is only linked via the Fedotiw Spit to Zaporizzä region. A similar territorial separation hinders normal communication between population centers within administrative units.

3. There are cases where government seats are situated outside the limits of their administrative units; for example, the city of Mikołajów is the center of two adjacent districts, neither of which it belongs to. But the city of Kyiv stands alone as not only the capital of the country, not just as the seat of the otherwise administratively separate Kyiv province, but also as a distinct city-region and the center of the district of Kyiv-Svatoşyn, which is part of Kyiv province. Thus, district government agencies are located outside of their district or, in other words, in a neighboring administrative unit. Social and cultural facilities of district infrastructure are located there as well (central district hospitals, cultural centers, libraries, etc.). Clients of such institutions are principally inhabitants of provincial seats, although they are maintained at the expense of district budgets.¹⁸

The third block of problems in the administrative division of Ukraine is the existence of a significant number of population centers located within the administrative boundaries of other population centers. However, there remain “nested councils”, where some settlements are located within other settlements, similar to the case of Metuchen, NJ completely surrounded by the Edison Township. In addition, cities may include villages entirely capable of self-governance, as well as some towns that are formally autonomous territorial units. For example, the town of Inkerman is part of the Naximow district of the city of Aqyar/Sevastopol (a separate city-region, just like Kyiv), while the village of Kocübinşke, which is territorially within Kyiv, is part of the city of Irpeñ in Kyiv province. At the same time, Kyiv includes the village of Puşa-Vodică, which is physically within Kyiv province. In all of Ukraine, about 500 settlements are located

18 Konotopcew O., Reforma teritorialna zamiş administrativnoï (do pitannya stosovno zakonoproektu «Pro teritorialniy ustriy Ukraïni» // *Aspekti samowrăduvannya*. 2005. – № 5(31).

within the boundaries of larger cities, and there are nearly 1,400 villages and settlements that are administered by the nearby towns.

Thus, the contemporary administrative division of Ukraine remains the same as in the late Soviet era, i.e., the country is rather arbitrary partitioned into 27 territorial entities of the regional tier (since 2014 Russia is occupying two regions completely – Crimea and Aqyar/Sevastopol, and two more partially – Donećk and Luĝanśk). It should be economically, socially, geographically, and ethnographically already evident that such a partition is very ineffective. It hinders the functioning of local government agencies at the very basic structural level. Above all, it results in the lack of formation of a proper financial and economic base for local government agencies, which would give them the ability to provide full-fledged social services to the public. In this regard, a significant part of autonomous units—in particular, villages, settlements, and townships (district level municipalities)—currently do not have necessary financial and economic resources. All research in this area suggests that Ukraine requires not more than a dozen first-level (regional/provincial) territorial administrative entities.¹⁹ Then they will be economically effective and self-sufficient. The number of districts should be reduced as well, sharply delimiting functions at village, city, district, and regional levels.²⁰

Currently, Ukraine *de jure*, besides regular 24 administrative regions, includes the Autonomous Republic of Crimea (Qırım), the special-status cities of Kiïw and Aqyar/Sevastopol, as well as 456 cities, of which 176 are of provincial subordination and

19 <http://dialogs.org.ua/print.php?part=dialog&id=22>

20 Soskin O., Dosvid wprovajennya miscevoho samoupravlinnya v Ukraïni // *Ekonomiçnij Časopis-XXI* – 2001. – № 9– <http://www.cityukraine.osp-ua.info/index.php?m=vybrane>.

278 are of district subordination, 118 autonomous districts within cities, 490 rural districts, 881 townships, 1363 boroughs, and 27,217 villages.²¹ Almost 30 thousand population centers in Ukraine are amalgamated into almost 12,000 administrative formations, i.e., territorial communes and their associations. The name "local government body" has come into use to informally describe these associations at the local administrative level in rural areas. The only government body in such an administrative unit is the village council. In ten regions of Ukraine, one such village council combines, on the average, three population centers, while in the Donećk, Dnipro, Połtava, and Xarkiw regions, it will combine more than four.²²

Ukrainian administrative units may be distinguished by the level of territorial subordination. According to the Constitution, the primary level in the system of territorial division consists of cities, villages, and settlements/boroughs (natural territorial formations). The secondary level consists of districts, while the tertiary consists of regions and the cities of Kiïw and Aqyar/Sevastopol (which have a status similar to that of regions per article 133 of the Ukraine's Constitution). Territorial formations at each of these levels possess, besides their common characteristics, their own particular status features. Hence, there follows a need for different forms of organizing authority and local government in these administrative units.

The lack of clarity in the constitutional definition of a primary level administrative unit, and how it is essentially synonymous with a settlement, is

21 Kohut I., Adminreforma. Stari pisni pro holowne... Komentari Forum. – 07.12.2005. <http://ua.for-ua.com/comments/2005/12/07>

22 See: *ibid.*

responsible for the actual existence of such territorial formations as townships, settlements, and cities inside of cities, and cities in a district of a city. Sometimes, even in official documents, interpretations are encountered of a village council as an administrative unit principally bounded by the framework of population centers. There remain many areas that lie outside the jurisdiction of any territorial commune. This is largely due to a lack of complete territorial partitioning between village councils in Ukraine during the Soviet period. The village council represented only a settlement or group of settlements and not a territory.

Today, the Ukrainian Constitution has established communes—rural and municipal—as the basic and primary administrative unit. This would appear to be the right solution, as first, this enables the creation of an orderly system of administrative division, which does not permit one territorial level to be included within another. Second, such a system determines the specifics of organizing government authority and self-government at each level of a state's territorial organization. Third, there will be one primary local government entity in a single administrative unit, which will act as the principal vehicle for its functions and authority.

However, as Viktor Hniŕoribow noted, even here it is necessary to avoid old mistakes and legislatively define the status of communes as basic (primary) level administrative units, along with the procedure for resolving issues of administrative division. Clear criteria are needed for their classification, as well as criteria for classifying population centers to the categories of villages, settlements, and cities. It is very important to define the procedure for creating communes that include several

population centers and for their categorization. To determine the status of population centers that are part of a commune of complex composition, having specified the possibility of creating self-governing organizations within them and equality in the rendering of public and administrative services to constituent parts of the commune, and in creating a material and financial basis for their development.²³

The current administrative system for provincial development, which is based on Ukraine's laws "On Local government" and "On Local Government Administrations," is complex, labyrinthine, and ineffective. It does not provide an ability to clearly define and delineate the rights, functions, and responsibilities of administrative agencies either on a horizontal level or at different levels of a vertical administrative framework. For this reason, such phenomena as redundancy and parallelism have appeared, in particular with regard to the authority of executive agencies of local councils and local government administrations. This system contains inconsistencies embedded in its very structure. They occur between agencies and local government officials both horizontally and vertically, as well as between state executive agencies at the local level, and this is primarily because current law does not define their legal mutual relationship.

Thus, an important condition for the effectiveness of a country's administrative division is a selection of an optimum model for it. Such models today are used in many European countries. The principal characteristic is decentralization of government authority with regions and local government enjoying broad constitutional rights. It is

23 Hnıdorıbov V., Perspektıvı razvıtıya mestnoho samoupravlenıya v novoı polıtıceskoı situacıı v Ukraine // Mezrehıonalnıı Soüz orhanov mestnoho samoupravlenıya Ukraını – 25.03.2005. – // <http://federal.org.ua/pub/69.php>

specifically such a path that is being followed by the countries of the European Union, which have achieved significant results in improving the quality of life for their citizens.

In this regard, the experience of the administrative reforms of the 1990s in Poland is of great interest and significant value. The European model of three levels of territorial division was used there, as set forth in the European Charter of Local government. The European system of territorial division is based on the old "Magdeburg Law," which is traditionally identical both for Poland and for a significant part of (western and central) Ukraine that used to belong to the historical Polish-Lithuanian Commonwealth. At the same time, the Polish model does not blindly copy foreign experience. The Poles, for example, even assign functions of territorial (civil) defense to their *powiats* (which are somewhat analogous to the current Ukrainian districts). The experience of territorial reform in Poland provides an example not only of essential content but also of know-how. This concerns as important an issue as finding the needed resources to conduct reforms. The Poles received a significant European Union subsidy of more than €12 billion for the implementation of this project.²⁴

Administrative reform should change the concept of citizen – state relations and bring government closer to the consumer of its services. It should eliminate superfluous elements of state power and substantially reconsider the functions of state administration at the regional level. Reform must transfer to self-government agencies most of the authority, and most important, the resources for its fulfillment. Reform will contribute to the development of local infrastructures at the level of commune, district, and region. If

24 Hanushchak Yu., Ukraїnśki reformi: navišo i koli?! (Newčasni dumki nezaleznoho eksperta) // *Institut hromadānśkoho suspilstva*. 01.08.2005. <http://www.csi.org.ua>

currently a required specialist or service is situated no closer than at the district seat, then after reform, all of this should be available at the commune level.²⁵

Reform is called upon to ensure the appearance of local civil democracies based on open political competition, on the partnership between governing state authority agencies and administrative agencies of territorial communes, as well as institutions of civil society, e.g., associations of citizens, professional organizations. etc.

The goal of administrative reform is to create a system of public administration that approaches the needs and wants of the public, and whose main priority is to serve the public and the national interest, and which would ensure that Ukraine is established as a developed, law-ruled state with high standards of living, social stability, cultural diversity, and open democracy. Such a system of public administration ought to be accountable to its citizenry, be transparent, efficient, and effective. The costs of maintaining administrative staff will be proportional to the financial and economic resources of the state.

Administrative reform is a complex issue and assumes, along with the territorial organization of authority, the implementation of budgetary, financial, tax, judicial, municipal, and pension reform, as well as reform in various other areas, including healthcare and education. In addition, it is one of the most important factors in restoring public trust in government institutions, which had been undermined as a result of civil servant negligence, corruption, abuse, etc.

25 Çuyko H., Polövi doslijennä z pıttannya teritorialnoï reformı: Xersonşına, poçatok lita 2005 roku // *Aspekti samowryaduvannya*. – 2005. – № 4(30).

During the process of administrative reform, conditions must be created to permit territories to generate their own revenue based on the comprehensive development of their own resource potential, as well as corresponding organizational, legal, material, and financial prerequisites for creating independent territorial communes. The principal goal of reform is to systematize agencies of public administration and local government, reduce the cost of their maintenance, and first of all, to bring administrative services closer to the public. Reform is directed at establishing effective local government, which today is in a nascent state.

Administrative reform must be undertaken in coordination with a reform of the social sphere and the infrastructure of housing and utilities. This is because, despite the lack of uniformity in the socioeconomic development of Ukrainian provinces, social standards everywhere must exhibit a nationwide character. This reform calls for reform in the budget sphere, and so the demarcation of authority between levels of administration must occur in concert with the demarcation of budget revenue and outlays at various levels.

If administrative reforms are not implemented, neither district nor regional councils will, in the future, have real power in local communes. They may not autonomously create local executive branch agencies either at the district or regional level. It is evident that there is a conflict of interest between local government agencies, whose motive power is their leadership (which has been elected and is answerable to voters), and vertical centralized presidential power, which strives to reduce the power of these agencies at the local level. Naturally, radical reform of the administrative division

of state will require changes in corresponding articles of the Ukrainian Constitution and the adoption of many legislative, including constitutional, acts.²⁶

In order for administrative reform to fulfill its assigned tasks to improve the provision of administrative and social services to the public, territorial units whose authority is being increased must possess corresponding resources. The main criterion for defining such territorial units is the provision of equal access of all citizens to public facilities, in terms of space and time. Thus, the governing criterion should be accessibility to services rather than population count (as it is commonly the case). For example, in order for a school to operate effectively, a commune requires to have about 3,500 residents, and perhaps even 5,000. But if there are only 1,200 persons, but the territory is vast, then a commune must be created for this population.²⁷

To consolidate territorial self-government in Ukraine, it is necessary to enact a law on local finances that ensures appropriate allocations for cities and villages from the budget revenue of higher levels and brings mayors out from under the control of central executive agencies. Chiefs of public administration at the regional level should be appointed by the Council of Ministers (as is done in Poland) and not by order of the President. Their functions should include, first of all, ensuring that laws are followed,

26 W pošukax optimalnoï modeli // *Volä-region*. – 2005. – № 4.

27 Koliuşko I., Vıstup na zasidanni «kruhłoho stołu» // Materialı zasidannä «kruhłoho stołu» «Administrativno-teritorialna reforma: zavdannä, şłäxı realizaciï, kriteriï efektiivnosti». – 16.05.2005. – <http://www.niss.gov.ua/Table/Adminref/>

while the local resolution of all other essential issues—resources, property, land, etc.—should be referred to the jurisdiction of local government agencies.²⁸

In order to develop an optimum scheme for the formation of local communes, avoiding mistakes and miscalculations in issues that are so vital to the public, it would be fit to conduct an experiment in government and law with respect to enlarging communes, using the example of several adjacent districts. This is needed to develop objective criteria, an action procedure, a mechanism for social evaluation of reforms, and clear criteria for optimizing the district and regional division of Ukraine, with due regard for geographical, historical, and other factors.²⁹

Reform of the system of territorial management of power and administrative division of Ukraine makes it advisable to create base-level territorial units, i.e., communes, while observing the principle of the ubiquity of local government and clearly demarcated commune territories. The functions and authority of eliminated district public administrations should be transferred to local government agencies. Today, the need is evident for improving the mechanism by which representative and executive agencies of local government are formed and their structure optimized at various territorial levels.

A three-tiered system of territorial management ought to be implemented, comprising provinces, districts (city-districts), and communes, and to define the jurisdiction of territorial units at each corresponding level. To establish a clear division of

²⁸ Soskin O., Dosvid wprovajennä miscevoho samoupravlinnä v Ukraïni // *Ekonomičniý Çasopis-XXI* – 2001. – № 9 // Portal Ołeha Soskina – <http://www.cityukraine.osp-ua.info/>

²⁹ W poşukax optimalnoï modeli // *Volä-region*. – 2005. – № 4.

authority and responsibility between different branches and territorial levels of public administration vertically, as well as horizontally, between self-governing communal, regional, and district councils and their executive agencies. Full-fledged local self-governance at provincial (regional) and sub-regional (district) levels must be re-established, which in particular, requires the creation of respective executive agencies. At the same time, effective protective mechanisms must be formed look after national, regional, and local interests at all territorial levels of public administration. It is very important to advance the role of associations of local government agencies in representing and defending the rights and interests of territorial communes. Effective operation of territorial communes requires suitable organizational, legal, material, and financial prerequisites for the formation of self-sufficient communes.³⁰

There is much disagreement regarding proposals to address the need for administrative reform in the Ukrainian society, as well as its scope, timing, and mechanisms. Problems of state territorial organization and the nature of reforming the territorial division of Ukraine are of particular interest. One thing is clear—unjustified delay in carrying out such a reform over the duration of Ukraine's entire period of independence has given rise to many obstacles on the road to effective management of state authority both centrally and locally. This has adversely affected the development of local government in particular.

Still, there is a principled opposition to administrative reform, which is guided by the notion that "innovations could make things worse." This approach is understandable,

³⁰ W pošukax optimalnoi modeli // *Volä-region*. – 2005. – № 4.

in a way, since such a reform directly affects established standards and the practices of millions of people, and evokes natural concern regarding consequences, particularly resulting from ill-conceived innovations. This suggests that the principal source of difficulty in territorial reform lies in public consciousness, which cannot be ignored.

Some come out for the need to, first of all, impose order on current administrative structure, endowing local councils with greater authority and preventing state executive agencies from interfering in the economic activities of districts, cities, etc., and for the need to refine the legislative base that governs the activities of local government agencies.³¹ Others come out against the specific proposals of combining certain districts; still, others warn of the potential for the appearance of local princelings, independent of the central authority, who will tear Ukraine apart piece by piece.³²

It follows that successful administrative reform requires serious communications and advocacy, which would convince the public of the need and advisability of such a reform. At the same time, Iğor Koliuško and Viktor Timoşuk, who head the CPLR, hold the view that it's erroneous to believe that "administrative reform can be achieved only voluntarily, subject to support by the public, the elites, etc." They emphasize that global experience convincingly suggests that "what is workable is that such a reform can only

31 Raxanşkiy A., Adminreforma. Stari pisni pro hołovne... Komentari // Forum. – 07.12.2005. <http://ua.for-ua.com/comments/>

32 Sołomatin Yü., Adminreforma. Stari pisni pro hołovne... Komentari // Forum – 07.12.2005. <http://ua.for-ua.com/comments/>

be implemented centrally (in effect, by compulsion). This, needless to say, requires an appropriate public awareness effort."³³

Since administrative reform means not only a weakening of the central (national) government and strengthening of provinces, it also calls for budget reform ("budget federalism") that is not very agreeable to a central authority. Carrying out such a reform requires, first of all, a mutual trust between central state agencies and the provincial ones, which does not currently exist. Under these circumstances, where regional differences and antagonisms over many issues were aggravated, smoothing things over must become the cornerstone of administrative reform.

Considering the above, one cannot today state with any confidence how long an administrative reform will take. It is evident that its full implementation will require up to a decade, as this is a gradual and fine-tuned balancing act. Everything depends on political will, on interagency coordination, and public consent. When talk turns to a positive example of carrying out administrative reform and its results, the example of Poland is often brought up, where the reform took an entire decade.

The success of administrative reform in Ukraine today decisively depends on a clear awareness of priorities for national development, a political will on the part of the country's leadership, an understanding of the problems of provincial elites, and public support for the steps undertaken by authorities in that direction.

³³ Koliuško I. And V. Timoškuk, Reformuvati centralizovano. Ale z decentralizaciëu na vistri kuta // Bùleteń «Partneri». – 2005. – № 11(77).

CHAPTER II

UKRAINE'S TERRITORIAL REFORM AND REGIONAL POLITICS

The permanent political crisis lingering since the period of the 2004 Orange Revolution clearly demonstrates that one of the principal conflicts in modern Ukraine is that between official state centralism and the trend among provincial communities to assert their autonomy. Today, Ukraine is far from both being an integral cultural and political community (the stated goal of the nation's leadership over the years) and fulfilling the other popular slogan of "Ukraine is a country of self-governing communities".³⁴ It is a country of regions, each with its own history and cultural features, and—most important—its own vision for the future of the Ukrainian state. For this reason, the question of the optimum form of national territorial division is rather complex.

Since 1992, the inception of national independence, two principal approaches were identified for the future form of territorial organization in Ukraine—federative or unitary—as kinds of governmental accord based on different political and legal principles. Disagreements arose in the understanding of the essence of the territorial organization and the ambiguous interpretation of the related key concepts of political, administrative, and territorial division, etc. Nor was there a common opinion on the basic criteria as the basis for the future territorial organization of the Ukrainian state. The principal disagreements became apparent when addressing problems of organizing

³⁴ W poşukax optimalnoi modeli // *Volä-region*. – 2005. – № 4.

authority in territorial units, defining their legal status, their levels of further territorial division, and the system of state interaction between the center and regions.

Some proposed retaining the unitary arrangement that had been inherited from the USSR but transforming it into a decentralized type of territorial organization.³⁵ Others developed the idea of radically decentralized state power necessitating the establishment of a federal dispensation, in which "state *legislative* and executive branch agencies with clearly defined legislative and executive functions,"³⁶ should exist at the region level. Still, others proposed radical changes in territorial organization, increasing the size of existing regions, combining a number of them into large provinces.³⁷ Drafts of the Ukrainian Constitution similarly proposed different alternatives for the territorial structure of Ukraine, ranging from unitary to federative.

In its aftermath, academic and applied interest in the problem of regionalism has increased significantly in Ukraine. Various political and economic aspects of the problems of decentralizing central state authority, devolution of power, even federalism have been examined. This is also conditioned by the slogan of a "European choice" for Ukraine. Yet what is characteristic for many European states is, on the one hand, regionalism and decentralization, while on the other, it is European integration. Regionalism and the concomitant decentralization of state institutions became a driving factor in European political life in the 1970s. Regionalism became the most important

35 Aktualni problemi upravlinnâ teritoriâmi w Ukraïni. Materiali naukovo-praktičnoï konferencii 26–27 hstopada 1992 roku. – Kiïv, 1993. – S. 6.

36 Ibid. p. 25.

37 Ibid. p. 60.

form of struggle for democracy, standing against bureaucratic post-war regimes and creating an agenda item to address the fundamental transformation of the nation-state, bringing its political organizations closer to the civil society and the citizenry.

In any legal framework of the state, there exist both nationwide and regional/local territorial agencies of authority, as an objective and universal principle of social self-organization. Regional socioeconomic communities correspond to regional administrative units, while local ones correspond to municipal and communal ones. Agencies of public authority at every level reflect the needs of the population and of the enterprises within the jurisdiction of the territory and provide them with various social institutions: private companies and businesses, and state and municipal offices.

The most important requirement for democracy—the attainment of local government at all levels—lies at the foundation of regionalism. Developing on the basis of historical regions, with their cultural, historical, and economic features, regional movements in many European countries have led to earnest organizational changes in the system of distributing state power. Political decentralization, which proceeded in parallel with modernization and played an important role in this process, has taken place in many countries.³⁸

However, in Ukraine, the period of national independence was not sufficient to decisively reject bureaucratization, state centralization, and the suppression of regional aspirations for autonomy. As a result, her regions never did have a chance to attain political, economic, and cultural self-realization or to develop their own distinctive

³⁸ Maługin A., *Ukraina: Sobornosť i regionalizm*. – Simferopol: SONAT, 2005.

character. Today's administrative division of Ukraine is far from optimal since it does not adequately consider the historical, ethnographic, geographic, and economic aspects of Ukraine's regions. For this reason, the experiment of "a Europe of regions" is of great interest.³⁹

The administrative division of the nation should address the criteria of regionalism, while administrative reform is called upon to improve not only the system of territorial distribution of authority and resources among public administration and local government agencies, but also to harmonize and accommodate the interests of different regions within the framework of a single national project to construct a democratic, law-abiding, and culturally pluralistic Ukrainian state. This means that administrative units should be created on the basis of their conformance to the generally acknowledged understanding of what a *region* is, and be capable of effectively addressing economic, social, political, and other problems of the territorial communes in question.

A *region* is a component of state territory that represents a particular geographical community, i.e., a set of similar territories (countries provinces, districts, —depending on the scale of examination), with a relatively stable combination of naturally and/or historically formed socioeconomic, political, geographical, and other features exhibiting sufficient uniformity and having defined boundaries that demark this spatial unit. A region is a socio-economic (with similar social and economic conditions of development) and cultural whole brought about by the capability of creating a system of administrative

³⁹ Шклър Ł. Modeli sobornosti (istoričniý dosvid ı sučasni aspektı) // *Ukraïńska sobornist. Ideä, dosvid, problemi* (Do 80-ričča Aktu Złuki 22 sičnä 1919 r.). – Kiiw, 1999. – S. 392.

agencies that are called upon to provide effective self-government and state leadership for provincial development within the scope of a single governmental policy. Thus, a region must be seen as a consummate territorial, economic, and cultural package.⁴⁰

Regions serve as the basis for regionalization (or zoning), i.e., the division of a territorial entity (for example, a country) into component parts for the establishment of logical units for the purpose of integrated analysis and planning, thus enabling the management and development of a territory. In this manner, for example, economic regions are allocated or electoral districts are apportioned. Regionalization requires certain favorable conditions, among which the level of socioeconomic development, the favorable geographic location of a given region, and a corresponding regulatory basis for regional development play an important role.

Regionalism is the self-acknowledgment (self-recognition) of a common identity shared by people who inhabit a particular *region* – a grouping of like places with definable boundaries and characteristics to form a spatial unit. A sense of common identity may be associated with a number of factors: language, history, cultural traditions, relatively isolated location and settlement patterns may preserve administrative and political boundaries, which have a political significance and force of their own. Such areas are deemed by the political system to merit special treatment in constitutional and administrative terms. They are often accepted as facts of political life. Regions serve as the basis for *regionalization* – the subdivision of a spatial entity (e.g., a

⁴⁰ Nevel'ev O., Wporädkuvannä administrativno-teritorialnoho ustroyü ta wdoskonatennä sistemi miscevoho samowrädovannä w Ukraïni // *Ekonomičnij Časopis-XXI* – 2004. – № 1 // Portal Ołeha Soskina – <http://www.soskin.info/ea.php?pokazold=2004>

country) into its constituent regions. This is often done to establish logical subunits for analytical or planning purposes to facilitate management or development; i.e., governments delineate regions for the purposes of administration or for the establishment of electoral districts. There are three types of regions: formal, functional and vernacular.

A *formal* region is a uniform area with a defining set of contiguous places with common values that form a unit. Usually, a set of traits is applied to delineate a formal region, both cultural and natural, as well as historical. Defining formal regions in terms of only a single trait (i.e., spoken language, religion, system of governance, etc.) is usually too simplistic to the point of caricature, as Ihor Stebel'sky pointed out⁴¹ in regard to Samuel Huntington's designation of Ukraine as a cleft society prone to be a battleground in the "clash of civilizations."⁴²

A *functional* region is a coherent unit that functions politically, socially or economically; it possesses a node and has spatial reach, often defined by the limits of its jurisdiction (i.e., townships or school boards). The spatial extent of authority in a functional region is limited by the boundaries of the respective unit (e.g., Ukraine's provinces – *oblasts*). Administrative (political) units, such as municipalities, counties, and provinces serve as examples of functional regions. While many functional regions tend to be clearly demarcated, their extent may not necessarily coincide with administrative or electoral boundaries. As noted by Stebelsky, "functional regions often

⁴¹ Stebelsky I., The Nature of Regions and the Utility of Regional Analysis in the Explanation of Political Geography in Ukraine, Paper presented at the Danyliw Research Seminar // Contemporary Ukrainian Studies. – Ottawa: University of Ottawa, 30 September 2005.

⁴² Huntington S. *The Clash of Civilizations and the Remaking of World Order*. – New York: Simon & Schuster, 1996.

exist as systems of regions in a nested hierarchy, subordinated to an overarching, senior region".⁴³ In terms of administration, for example, a county is subordinated to a province, and the province is in turn subordinated to the central government.

A more complex functional region (not limited by formal administrative boundaries) that relate to popular sentiments of people living in a broader area could be constructed by joining several smaller functional regions (i.e., a composite of several counties within a province or several provinces within a country) on the basis of shared values, identities and belongings. In Ukraine, geographers have identified a number of such complex functional regions and their nodes: *Hałçyna* (Lviv), *Słobozanşına* (Xarkiw), etc.⁴⁴

A *vernacular* region is an area *perceived* to exist by its inhabitants and is recognized as their homeland. It may arise from the common experience in a functional region and is based in the collective spatial perception of the general population. Such a region usually bears a generally accepted (nick)name (i.e., Donbas or *Vohń*). Vernacular regions are the most complex to ascertain but also are best suited for establishing culture regions; they are especially important to consider, as they are areas where roots of regionalism and potential separatism reside. If politicized, regionalism is likely to become separatism; persistent regionalism may provide the base for a separatist movement (Scotland in Britain, Catalonia in Spain, or Quebec in Canada), but it also

⁴³ Stebelsky I., *Ibid.*

⁴⁴ Zastavniý F. *Ĝeoĝrafiã Ukraĩni* – Lviv: Svit, 1994; Pałamarçuk M., Pałamarçuk O. *Ekonomiçna i socialna ĝeoĝrafiã Ukraĩni z osnovami teorii*. – Kiiw: Znannã, 1998; *Socialno-ekonomiçna ĝeoĝrafiã Ukraĩni* / Red. O. Şabliý. – Lviv: Svit, 2000.

may be restrained and discouraged with the region's integration via policies of accommodation.

Ukrainian regionalism enjoys significant cultural, ethnic, linguistic, religious, and other differences that are exacerbated by socioeconomic ones. They were clearly manifest in a series of election campaigns of the 1990s and 2000s, with consistent electoral preferences that were expressed along cultural rather than ideological lines.⁴⁵ From the beginning of independence, the political map of Ukraine was heavily defined by its historical geography. Voting in the various national elections throughout the 1990s and 2000s clearly showed that the "fracture" was along a line that separated the more agricultural center-west part of Ukraine from the industrial southeast.⁴⁶ The reasons here had to do with political and cultural and historical traditions of orientation and values, which dominated in these "two Ukraines."

Regionalism became a constant factor in modern Ukrainian political life. This is determined in many ways by the fact that historical regions and regional differences were formed before the appearance of an independent Ukrainian state, and they represent fairly well-defined communities that comprise modern Ukraine. The experience of regional coexistence within the boundaries of the modern Ukrainian state is relatively short—a mere six decades (since 1954)—and under historical conditions of foreign domination. As a consequence, Ukraine is a country of sharply pronounced regional differences, with their very characteristic social, cultural, and political conditions. This is evidenced by a lingering regional identity, a lack of intense cultural and political

45 Arel D., Paradoksi Pomarańčevoï revolüciï // *Krytyka* – 2005. – № 4.

46 Tołoczko P., Separatizm ili federalizm? // *Holos Ukraini*. – 2005. – № 41. – 4 marta.

exchanges between regions, a resistance to central pressure, and a tendency to autonomy.⁴⁷ However, none of this is reflected in the administrative organization of the country.

Ukraine, which inherited provinces established in Soviet times along with their regionalism, has not been able to attain that relatively high level of national consolidation in which regional and national identities are no longer competitive with, but complimentary of each other. To a great extent, this is because Ukraine became independent (the necessary prerequisite for the start of nation building) quite recently, by historical standards—a mere two decades and a half ago—and a considerable amount of time—at least two generations—will be required for the new national identity to take strong root.

An optimal system of state administration, territorial division, and an effective governmental regional policy constitute an important component in combating separatism.

Separatism – the desire of adherents of a regionalism to separate from a larger national entity by asserting autonomy for themselves and their region, if their specific (economic, cultural, etc.) concerns are not addressed and their identity is not recognized. This regional identity comes specifically out of popular sentiments of a vernacular region and gives emotional attachment to the region, but it lacks the structure to challenge the central government and the national identity it represents.

47 Molchanov M., *Political Culture and National Identity in Russian-Ukrainian Relations* –Texas: A & M University Press: College Station, 2002.

The cause of separatism may be greatly enhanced if a vernacular region is defined as a formal region on the basis of a cultural trait and also recognized as a functional one (i.e., as a province); separatists acquire a vehicle to promote their cause with(in) the legitimate political organization and to utilize its resources. Separatism may intensify up to the point of secessionism if would-be separatists are dissatisfied with their perceived relative cultural, political and socioeconomic status in a larger entity. Reacting to the policies of the central government, regionalism may heighten to produce separatism or, accommodated, dissipate to transform into localism, concerned with rather small-scale issues (i.e., heritage preservation).

Accommodation – is an adjustment or adaptation to suit a special (i.e., political) purpose; it is a settlement or a compromise to reach an arrangement acceptable to the conflicting parties in a dispute; therefore, to accommodate is to adapt (harmonize / reconcile) their positions vis-à-vis each other. The lack of internal political accommodation has usually been the factor determining the conversion of a regional autonomist movement into a secessionist one. By modifying internal structures, political compromise has the effect of persuading dissident groups to retain allegiance to the existing nation-state. Decentralization seems to be the answer to the demands of political regionalists (federalists/separatists): it is an instrument of redirecting their grievances of misgovernance by reassigning the administrative capabilities and responsibilities to the regional and local levels, thus, recognizing separate regional identities in exchange for political loyalty.

Regional identity is not inconsistent with the Ukrainian concept of *sobornist*, or a territorial and political unity in diversity, which is very similar to a US motto of "*e pluribus unum* (one out of many)." *Sobornist*, in turn, is not inconsistent with positive regional self-identification, which is characteristic of inhabitants of many regions of Ukraine. This unity does not deny the right of regions to be different but preserves national solidarity. The "awakening" of Ukrainian regions is linked to a deepening process of national integration in the post-Soviet period. At the same time, however, Ukrainian society should avoid sameness, and retain and nurture its pluralism. This is in line with a global trend. The establishment of regional self-governance in Ukraine must benefit from world experience in territorial development since tendencies for decentralization are not only Ukrainian but reflect general processes of globalization.⁴⁸

The viability of any state is perpetually supported by two driving forces: differentiation and integration. While oppositely directed, they are not necessarily irreconcilable. The essence of the stability of Ukraine lies in a dynamic balance between these two primary forces.⁴⁹ Experience in addressing problems of regionalism and the optimum state structuring of territories with multiethnic and multicultural populations is a high priority in many countries of the world, especially those in the process of socioeconomic and territorial–political transformation from more closed to more open societies. In any such processes, there exists a branching of alternatives and it's worth taking a closer look at those of Ukraine's close and distant neighbors that are choosing the logic of decentralization to attain the same goal.

48 Toffler E., *Metamorfozi vlasti*. – M., 2003. – pp. 293–295.

49 Is Democracy Necessary for Economic Growth? *Business Week*, 1994, № 1. p. 13.

Over the past decade, many European countries have been decentralizing through an increased regional autonomy (Poland, Italy, Spain, Britain). The modern regional strategy of European countries is directed at expanding regional autonomy with respect to national institutions. And one of the most important principles of regional policy is regional autonomy and self-government. It would appear that just such an approach to addressing the issue of reforming the territorial organization of Ukraine may be the most productive.⁵⁰

Over the past years, Ukraine has ideologically split into a "blue" and "orange" mega-regions, which compete with each other. For example, the ideas of federalism are similarly welcomed or rejected on the basis of a regional affiliation: they are welcomed in the "blue" Ukraine (in the southeast) and rejected by the "orange" Ukraine (in the center-west). The both "orange" and "blue" parties (in the broad sense) culturally encompasses liberals, socialists, and conservatives alike. In examining "orange" and "blue" arguments, it is clear that, for all the high-stakes drama of their polemics, they intersect and overlap on most socioeconomic issues. Both sides, arguing among themselves, arrive at the same rhetoric and use the same arguments. Nonetheless, between 2004 and 2014, the mutual alienation between them has been steadily growing and only started to recede in response to a foreign intervention. At the same time, the gap between the population of the occupied territories of Crimea and, especially, Donbas has further deepened.

50 Hnıforıbov V., Decentralizaciã territorialnoÿ orhanizacii gosudarstva kak neobxodimoe uslovie razvitiã demokratii // Mezrehionalniÿ Soüz organov mestnogo samoupravleniã – 03.02.2005. – <http://federal.org.ua/pub/67.php>

However, as Paul D'Anieri noted, the standoff between the southeast and center-west of Ukraine and the schism in political preferences among citizens was not so much between Ukrainian nationalists and anti-Ukrainian separatists, as between different visions of the nature of the Ukrainian nation-state.⁵¹ Mikoła Răbçuk observed that in Ukraine, "...the struggle swings between yesterday and tomorrow, between further social degeneration under the leadership of current oligarchical clannish authority and that of the prospect of fundamental changes".⁵² Ostap Krywðk also noted that during elections, "people selected three ideologically different Ukraines— of the past, present, and future. Although they are forthright antagonists, at the same time these Ukraines occasionally flow into each other, successively drawing their own key assertions, adopting methods of control, and sometimes even shaping themselves through the repudiation of an adversary."⁵³

Since 2004 the country-wide civil strife that was followed by the Russian invasion in 2014, dramatically demonstrated a very fragile national unity and lack of firmly established national identity. The culturally diverse but politically solid Ukrainian nationality (unlike ethnicity) yet remains at its earlier formative stages.

As a rule, the formation of interregional opposition is promoted by some objective conditions and prerequisites. Oleg Sapoznikow identifies several conditions that promote the occurrence of such opposition: a lack of the overarching national

51 D'Anieri P., Institutionalizing democracy in a divided state // *State and Institution Building in Ukraine* / T. Kuzio et al (ed), – NY: St. Martin's Press, 1999.

52 Răbçuk M., Dvi Ukraïni: realni, virtualni viyni. Kïw: *Krytyka*, 2003. p. 15–16.

⁵³ *Krywðk O., Tri Ukraïni // Ukraïn'ska pravda. – 2006. – 24 bereznâ.*

cultural identity, the existence of specific linguistic particularities or preferences, the disappearance of which is perceived as a serious blow to individual and collective identity; the political status of a region before and after its inclusion into a nation-state; and the relative autonomy, degree, and scope of economic development.⁵⁴

It is easy to see that all of these conditions exist in the southeast of Ukraine, which makes such opposition inevitable. With its dominant and self-replicating Russophone culture, it (particularly Crimea and Donbas) perceives itself as separate from other regions of the Ukrainian community. In the southeast (and primarily in the cities), Russian is effectively the only language of communication, while a stable bilingualism predominates in central Ukraine, and the language of the western regions is Ukrainian. This in itself promotes the preservation of mental differences, although it is worsened by the state's policy on language. The language of communication is the most obvious and most popular expression of the distinctiveness of a regional identity. The principal aspect of the language problem in Ukraine lies with how the language preference of Ukrainians does not align with their ethnic identity. Russian is the everyday language of not only ethnic Russians but also of a significant number of ethnic Ukrainians (residing predominantly in the southeast). Thus, Russian is more regional than "national" language in Ukraine, and therefore state attempts of realigning the ethnic and linguistic identities in Ukraine encounter regional resistance.

One other aspect of regional identity in the southeast provinces is that, up until the separation of Ukraine from the USSR, the Russophone population there considered

⁵⁴ *Sapoznikov O.*, Ukraina rıskuët povtorıř suđbu Reçı Pospolitoÿ // *Regnum.* – <http://www.regnum.ru/news>

itself a part of "Greater Russia (the Soviet Union)" in which they were representatives of the majority. After 1991, their status changed. They suddenly became a national minority. At the same time, the southeast provinces are economically more developed in comparison with the rest of Ukraine and are therefore more autonomous.

All objective prerequisites for the appearance and growth of territorial antagonisms came to the fore. The concepts of "East" and "West" in Ukraine have largely lost their geographical meaning and have sooner become historical and cultural terms that reflect specific aspects of a regional identity.⁵⁵ It is on the differences in such outlooks that mutual relations are formed between regions, each of which represents its own Ukrainian idea. As political expert Vadim Karašow noted, "the intellectual hegemony always belonged to Western Ukraine and the national-democratic political elite." It is precisely on this basis that the National Project of Ukraine was formulated, which may be called a western project... On the other hand, real economic power has always belonged to Eastern Ukraine."⁵⁶

By itself, the regionalized political opposition is not an insurmountable problem if institutional mechanisms rooted in the democratic experience of the entire population and its political elite, exist to overcome it. Examples of this are a number of recent presidential elections in the United States or the parliamentary elections in Germany. But it is something else when such opposition has a clearly pronounced geographical divide, where an overwhelming majority of the population in one region votes exclusively for "its own" candidate and categorically will not accept an "outsider", justifying its own

⁵⁵ Tołočko P., Separatizm ili federahizm? // *Hołos Ukraïni*. – 2005. – № 41. – 4 marta.

⁵⁶ Xripunkova H., Proekt «Ukraïna»: pohläd zi sxodu, *Deń*. – 2005. 30 veresnä.

electoral favor or disfavor on predominantly cultural and mental grounds. Further, if this occurs while democratic institutions remain underdeveloped and mechanisms of the popular rule are incomplete, this will lead directly to territorial polarization as well as preservation and even escalation of the conflict. At the same time, both sides find it convenient to point to "those people" as the root of evil, highlighting and exaggerating how they differ from "our people" and calling for regional solidarity based on the commonality of everyday culture and understanding of historical fairness and vision of the future.

Some analysts believe that today's division of Ukraine into "blue/east" and "orange/west," as well as the lack of national unity, is—however paradoxical—a factor that to a great extent enables the development of democracy, as this supports the pluralistic nature of society, which is the real precondition of democratization.⁵⁷ Thus, Mikoła Răbçuk believes that the "Orange revolution" resulted not in the fragmentation of the country, but in an advance of democracy: "The adversarial schism between [east and west] actually could have occurred if they were the only representatives of Ukraine, which is to say, if there was no vast ambivalent center between them".⁵⁸ Thus, Central Ukraine is fulfilling a unique role as a stabilizing factor.

In analyzing the regional differences in Ukraine, Răbçuk introduced the notion of "Two Ukraines". That said, he states explicitly that he interprets this term not so much in the geographical sense as in the ideological, i.e., he is speaking of two mindsets. In

⁵⁷ Kułakov A., Cıvılizacıynıy rozkołyäk faktor demokratızacıı Ukraıni <http://maidan.org.ua/static/mai/1139527995.html>. – 10.02.2006 h.

⁵⁸ Răbçuk M., Dvi Ukraıni: realni mezi, virtualni viynı. Kııw: *Krıtika*, 2003. p. 12.

particular, he believes, "the events of the Orange revolution confirmed that Donećk is not 100% "blue," nor is Lviw 100% "orange." There is some diffusion between these two different ideologies and regions; as if they flow one into the other. That there are three Ukraines, geographically, is a different issue. There is the clearly delineated Halçinq, the least Sovietized and Russified region, and the strongly demarcated Donbas, which was the most Sovietized / Russified. But there is also Central Ukraine, which was also Sovietized, but which had only been incorporated into Russia since the end of the 18th century. In fact, these regions lived for a rather long time under different regimes. The Polish-Lithuanian Commonwealth was not the ideal place to live, but it was a civilization apart from the Muscovite czardom. Western Ukrainians have lived for long periods outside of Russia and the Soviet Union. The south and east had not lived outside of Russia or the USSR for centuries, so it was difficult for them to mentally emancipate themselves from that country. Political culture is also of significance. Here, we speak of a fundamental incongruity between the two schemes—of an authoritarian "Soviet" Ukraine and of a democratic "non-Soviet" Ukraine."⁵⁹

At the same time, it must be emphasized that, unlike most other post-Soviet states, modern Ukraine represents a rather pluralistic country that has advanced in a democratic direction. Yet at the same time, it is insufficiently and unevenly developed regionally. It is indeed divided into two parts with noticeably divergent mentalities and discordant understandings of the direction of its development.

⁵⁹ Mı Ńe ŷ ne probuvahı normalno zıtı razom. (Rozmova Oksanı Forostını z křıtıkom i publicıstom Mıkołou Răbçukom) // *LviwŃka ģazeta*. 2004. № 238(562). 24 hrudnă.

Existing regional differences in Ukraine and problems of their administrative accommodation are not some kind of unique phenomenon in the worldwide practice of nation-building. Actually, what is being observed in Ukraine is rather the rule than the exception. After all, local particularities form the basis of regional identity, and there are few countries that do not have particular regions that have their own specific economic, historical, cultural, geographic, etc. aspects.

Territorial antagonisms exist in any state where regional socioeconomic development is viewed as uneven, and these are compounded where ethnic dissimilarities exist as well.⁶⁰ Any country that strives to ensure its viability and stable development must do everything it can to make sure such antagonisms do not become acute. For this, responsible authorities must adequately assess these antagonisms and monitor the developing situation, ensure an appropriate state administrative structure and pursue an appropriate regional policy.

A regional policy is a goal-oriented institutionally formalized activity on the part of agencies of state authority, which is directed at attaining positive changes or preventing the degradation of a situation in a territorial organization and the structure of society and/or economy. State regional policy has its own particular goals, subject matter, and forms and methods, and is conducted on a continuous basis. Regional policy resolves territorial problems of national significance. Indisputably, the state must ensure the supremacy of state interests and institutions at all stages of regional policy

⁶⁰ See: *Sapozhnikov Oleh*. Ukraina riskuet povtorit' sudbu Reči Pospolitoj // *Regnum*. – <http://www.regnum.ru/news>

development and implementation. Regional and local authorities are, here, natural partners of central power, but they must have significant authority delegated to them.

Currently, a departmental approach to regional development continues to prevail on the part of central executive branch agencies. State resources are allocated unfairly: the relations between the center and the regions, and principally intergovernmental relations are discouraging, which results in a strengthening of the economic insularity of a significant part of regions and does not spur the creation of a competitive environment, either within or between the regions. The state's regional policy must be directed at creating the potential for economic growth in regions by concentrating efforts of the governing elite, the business community, and of local government agencies and non-governmental organizations. It must promote improved competitiveness of regions, while at the same time ensuring their socioeconomic leveling up. If differences and disproportions in regional development are ignored, then it will not be possible to ensure effective regional self-governance. It should be noted that territorial institutions exhibit considerable inertia in their development, and for this reason, overcoming regional disproportions will require much time.

In implementing a regional policy, the state must address problems of improving the competitiveness of the overall economy, stimulating the use of domestic natural resources, etc. State efforts directed at reducing socioeconomic disproportions among its territories become the most important component of regional policy if such disproportions become excessive and interfere with the country's normal functioning, pose a threat to the country's unity, lead to the growth of regional antagonisms, and their

hazard is recognized by the public and political leaders. A regional policy directed at reducing socioeconomic disproportions among territories is the most important, yet only one of its forms. In Ukraine, this direction in regional policy should not remain the only objective; it is very important to also align political disproportions.

Existing regional disproportions, which were discussed in the first chapter, require urgent resolution. The very existence of significant regional disproportions is a national problem that cannot be addressed without the coordinated actions of government agencies at all levels, from central to local. Postponing the introduction of an "equalizing" regional policy is dangerous and moreover, economically ineffective, because the future resolution of growing problems will require significantly greater resources.

Global experience shows that in developed countries, cultural differences are not set against each other, but—on the contrary—are perceived as a social capital. As was noted by Stephan Kühnrich: "If one takes, for example, Germany, one sees that there, the difference between Bavaria and Mecklenburg is no less than between the west and east of Ukraine. German dialects differ so strongly, people at times do not understand each other, there are different religions, different historical paths, and so on. Here, the basic principle of the political system is federalism. But this means that there is a rather less central government and much more regional. All principal issues are taken up at the place where they are resolved."⁶¹

⁶¹ Kühnrich Ş., Razorvannayä strana // *Dialog*. – 2006. – 20 marta.

In unitary Italy, there are also significant differences between the economies of the north and south. Italy has long been divided into the highly developed, industrial north and the trailing agrarian south, which has also been the historical fief of organized crime. It was just this that led to the rise, in the industrial north, of a movement for the "Republic of Padania" (the Po River is a sort of Italian Zbruc^{*} that marks the historical boundary between the two cultural and historical zones of Italy). Moreover, arguments very similar to those heard in Ukraine were expressed during the political disputes between the south and north of Italy. Piedmont and Lombardy say that they are forced to feed the loafers in the south, and sometimes even resound with emotional slogans along the lines of "what do we need the south for, with its Mafia?" Southern political leaders believe that the north possesses a disproportionately large amount of power and influence over the country's development, at the cost of a certain bias against Campania, Calabria, Sicily, etc.⁶²

That said, the country was able to successfully develop economically, was a founding and still a key member of the European Union, and even became a part of the elite "Group of Seven." There are no serious separatist outpourings because there is no support for them, and there are no real threats to the integrity of the state. A deciding factor here is the ability of Italian society to self-organize. This is of particularly great interest for Ukraine. Moreover, Ukraine's closest neighbor—unitary but decentralized Poland—also preserves sub-ethnic and cultural-historical differences between

* The Zbruc^{*} is a river in Ukraine that formed the historical boundary between the Austro-Hungarian and Russian Empires, separating Hałçina, as well as Bukovina and Transcarpathia from the rest of Ukraine.

⁶² Łosëw I., *Provokuvannä identičnostey // Deń*. – 2005. – 15 bereznä.

Kashubians, Silesians, and Góral, between Pomerania and Silesia and Greater and Lesser Poland. There are many more similar examples, however, these regional identities do not threaten the integrity of the state.⁶³

As was astutely noted by Andrey Małgin, "...among modern Ukrainian political scientists, historians, media personalities, and politicians, there is not the slightest insight into the phenomenon that Ukraine is facing, and which grows out of the extraordinary diversity of its regions, on the one hand, and the prevailing centralist practice of government administration, on the other."⁶⁴ For now, the Ukrainian intellectual elite demonstrates an impotence to frame a national idea that could be accepted both by the west and east of the country. In recent times, those in power behaved as if there were no territorial antagonisms, no ethnic dissimilarities, and no language problems. In addition, the very attempt to discuss these issues was officially considered by Ukrainian authorities as an attempt at destabilization. In the end, the "orange" side, in attempting to banish critical issues from the arena of legitimate discussion, created a feeling among their opponents of distrust in the fairness of the Ukrainian state. Specifically, the lack of desire by the authority to make note of the obvious was what caused interregional opposition to become a chronic disease that becomes more acute in response to the least indications of internal instability (i.e., elections).

And yet, despite significant centralizing efforts, the country does not yet enjoy unity, and the problem of *sobornist* in Ukraine and of the national identity of its citizens actually exists. Of course, the problem of *sobornist* doesn't have the same character as it

⁶³ Łosëv I., Provokuvannâ identičnostej // *Deń*. – 2005. – 15 bereznâ.

⁶⁴ Małgin A., *Ukraina: Sobornost' i regionalizm*. – Simferopol: SONAT, 2005.

did at the start of the 20th century: "Today, this is not a problem of "collecting" ethnographic material to create the edifice of the Ukrainian state, but a problem of this edifice's architecture, a problem of its interior arrangement."⁶⁵

One of the most urgent political issues in today's Ukraine is the problem of creating a nation-state. The essence of a "nation state" is related to civil and not to ethnic society. An attempt at the creation of an ethnic state in Ukraine would be a factor of conflict, the cause of which is the presence of a large Russophone population, and of other numerous groups, who have historically lived within its territory. For this reason, "a nation-state in Ukraine may be founded only on the idea of civil society."⁶⁶ Ukraine's choice of model of civil nationalism with a non-discriminatory formula for citizenship and progressive laws regarding national minorities enjoys the widespread support of all ethnic groups.

Civil society is an inherent element of democracy. In this regard, Taras Kuzio notes the interrelationship between civil society and national identity at the center of transitional processes in Ukraine, where an "atomized population, divided regionally and cynically disposed with respect to its own ability to influence social processes and stripped of mutual civic trust, is unlikely to be able to create a strong civil society and mobilize itself to attain a stated goal. Collective identity strengthens civil society, because concern for one's own nation strengthens concern for the common good.

⁶⁵ Małgin A., *Ukraina: Sobornost' i regionalizm*. – Simferopol: SONAT, 2005.

⁶⁶ *Mozhivosti nacionalnoï konsolidacii w Ukraïni obyektivno viši, niz w Rosii. Rozmova Viktora Timošenko z Emilem Païnim // Lvivska hazeta. – 2005. – 5 kvitnâ.*

National unity and degree of integration play a central role in ensuring the strength of civil society".⁶⁷

The international experience of nation-building suggests that, nowadays, resorting to the practice of ethnic nationalism is categorically unacceptable. A convincing example of this can be found in Balkan wars. Iğor Tançın notes that an absolute majority of supporters of a Ukrainian nationalist ideology fundamentally are proponents of democracy, paying homage to all who fought for Ukrainian liberation. Ideologically, they consider themselves adherents not of the integral nationalism of Dmytro Doncow and Stepan Bandera, but of a democratic populism of Mykhailo Dragomanow, Ivan Franko, and Mykhailo Hrushevskiy, or of conservatism held by Pawlo Skoropadskiy and Wyacheslaw Lypynskiy, all of whom were adherents of ideas of pluralism and national accord. Ethnonational practice in nation building is based on a collective authoritarian ideology. This is why the liberal democratic ideology and the practice of state building opted by Ukraine are compatible only with an ideology of civic nationalism. It is problematic even to introduce ethnic nationalism in practice, principally because there exist a number of factors that break up the ethnic unity of Ukrainians by language, religion, historical traditions, political views, etc.⁶⁸

However, a certain artificiality in contrasting ethnocultural nationalism with civic nationalism is worth noting, since all forms of civic nationalism, to one extent or another,

⁶⁷ *Kuzio T.*, Between Totalitarianism and Democracy: Assessing Regime Type in Ukraine, paper delivered at the conference Ukraine: Challenges of a Country // Transition: University of Fribourg. – 2002. – 19–20 April.

⁶⁸ See.: Ihor Tançın. Çı mozhliviy rosiyiskiy separatizm w Ukraïni? // Çasopis «İ». – 2000. – №. 18.

are cultural, even if we speak only of political culture, which surely has an ethnic foundation, as is the case, for example, in the United States, Australia, Canada, or France. In addition, civic nationalism is not always liberal and democratic. It may be completely anti-democratic and even multiethnic, as in the USSR, or in Chile, Argentina, or Brazil during the 1970s–1980s. Taras Kuzio points out that all nations, to one extent or another, are comprised of both civic and ethnic elements, and therefore, an optimum compromise should be sought between them.⁶⁹

However, in Ukraine, no national project has been clearly formulated. The recent history of Ukraine has seen only one national project bearing fruits: that of achieving national independence. In 1991, the political elite ran with this idea, since it received the support in an all-Ukrainian referendum. The situation was ironic in that the active proponents of this idea, later on, enjoyed little representation in the system of state administration.⁷⁰ However, today the idea of independent statehood is a unifying force, especially in the light of the necessity to defend it against the foreign aggression. Additionally, a new national project is taking shape: the accession to the European Union and with all its associated reforms, including the devolution of power to the regional and local levels.

Besides, abstract love for the entire Ukraine is rather unlikely without a warm feeling for one's own regional homeland. As was noted by Mikoła Tomenko: "You cannot love Ukraine and hate Donbas; you cannot love Haliçina while disregarding

⁶⁹ Kuzio T. *Ukraine: State and Nation Building*. – N.Y.: St. Martin's Press, 1998.

⁷⁰ Kruhläkovskiĭ P., *Sxid-Zaxid // Ukraïnska pravda*. – 2005. –29 veresnâ

Xarkiw."⁷¹ The formula for the new Ukrainian patriotism ought to be: Ukraine is a nation for and of all citizens. Ivan Franko called for overcoming any "regional particularism". "We must," he wrote, "learn to feel like Ukrainians, and not Haliçina or Bukovina Ukrainians, but Ukrainians without internal borders."⁷²

Currently, the following components of Ukrainian patriotism may be identified. First, there is a social component of the national idea. A sharp reduction in the lifespan of the population, the overcoming of poverty and a striving for better standards of living are high-priority and unifying issues for the entire population of Ukraine. The social component correlates with the economic aspect of the national idea. On the eve of achieving independence (1990–1991), it was readily believed that Ukrainian independence would give its citizens an opportunity to feel more secure and be better off economically. An expression of this became the widespread formula of that time: "An independent state is a path to the commonwealth." However, the reality fell short of expectations for many.

Thus, is the popularity of the idea of the country's integration into the European Union. Today, in various polls, up to 70% of Ukrainians support this idea. The principal motive for this support is that the EU represents, for Ukrainians, the embodiment of a high standard of living and adherence to human rights and freedoms.⁷³

⁷¹ Tomenko M., Sučasniý ukraïnskiý patriotizm, aboyäk obyëdnati Ukraïnu // Urädoiviý portäl – <http://www.kmu.gov.ua/control/uk/publish/> – 16.07.2005.

⁷² Franko I. Odvertiý list do haliçkoï molodizi // *Nacionalizm. Antolohiä*. – Kiïw, 2000. – p. 175.

⁷³ Tomenko M., Sučasniý ukraïnskiý patriotizm, aboyäk obyëdnati Ukraïnu // Urädoiviý portäl – <http://www.kmu.gov.ua/control/uk/publish/> – 16.07.2005.

It is not that the east and west parts of Ukraine simply have different political preferences, they also share no common set of symbols or myths, no pantheon of heroes, and without these, no full-fledged nation can exist. Even some unifying symbolic figures, such as Taras Şewçenko (Taras Şevçenko) and Bohdan Xmelnićkiý (Bohdan Xmelnićkiý), have a different conceptual interpretation in the east and west parts of the country. In fact, only the periods of Ancient Ruthenia (Ruś), the Cossack period of Xmelnićkiý and the national renaissance of the times of Şewçenko are perceived by inhabitants of different Ukrainian regions largely positively. Undoubtedly, the figures of Xmelnićkiý, Şewçenko, and Franko promote the creation of a common identity among Ukrainians. At the same time, the personalities of Ivan Mazepa, Simon Petlūra, or Stepan Bandera, and the WWII leaders of the Ukrainian Insurgent Army are perceived controversially in different regions of Ukraine. Even at the level of the intellectual elite of east and west, there is no unity with regard to common national symbols and figures.

And yet the confrontation between the southeast and west of Ukraine, and in particular, over linguistic, religious, and other differences, can be fully overcome in the future. That said, it is worth devoting particular attention to those fundamental issues in which there has never been any conventional agreement. There are, fundamentally, three such issues: a) the foreign policy orientation of Ukraine; b) the territorial structure (unitary or federative); c) the status of languages in Ukraine. If we speak of the "Orange" side, then it is perfectly clear that they are for European integration and the country's entry into NATO, for retaining a unitary Ukraine, and against granting the Russian language any kind of official status. The "blue" side is quite the opposite: for Eurasian integration, for federalism, and for granting Russian the status of a second official

language, or at least of a regional language. The split over these issues always gain momentum during election campaigns, and it takes ever deeper root in the popular imagination.

There are particularly many disputes regarding language. In Europe, there are examples of countries that do not have a single state language, but several. In examining the problems of the future of these countries, the question of language does not play an important role. The question of language is discussed particularly sharply and loudly and principally for ideological reasons. In these discussions, elements prevail that have nothing at all in common with linguistic issues and of communication as such. In these terms, it is worth noting the idea expressed by the American political scientist Alexander Motyl: «South-eastern regions require two things: first - some official status for the Russian language, and second - the federalization of Ukraine. The Orange side should become principled advocates of these two principles. That is, the Ukrainian language is the sole official state language, and Russian, together with Hungarian, Polish, Crimean-Tatar, Romanian, and other languages, then acquire the status of regional language... Almost in every democratic country in the world - take Canada, the US, Germany, Austria, India, and others - has a federal arrangement; and it's not a problem. Therefore, the Orangists must take on these two points: the first - the regional status for the Russian language, and the second - the federalization of Ukraine. And in this way, you can cooperate with the opposition for the benefit of Ukraine».⁷⁴

⁷⁴ An interview with Alexander J. Motyl of Rutgers University // *Voice of America*. 30.06.2006. <http://www.voanews.com/ukrainian/2006-06-30-voa3.cfm?-renderforpr> .

The national interest and *sobornist* of Ukraine imply by the common market, the common foreign policy, the common energy strategy, the common security, common cultural identity, and so on. The national interest today assumes a balanced regional development of territories, in which helping others means helping oneself. The only thing it does not assume is the cultivation of the idea of the opposition between "different Ukraines," which intensifies with every election campaign. At the same time, dropping the slogan of "federalism," can alleviate concerns regarding separatism and will allow focus on the essentials of decentralization (its extent and the manner of distributing authority and jurisdiction), and not on its form (federalism or unitarism).

The principal tasks of a regional state policy are to ensure: national unity; regional political stability and social agreement; Ukrainian national security; consideration of the special aspects of each region; compromise among national state, regional, and local interests; stable regional economic development; integrated national economic development and improvement of its territorial and industrial infrastructure; improving the material well-being of the population and improving its social standards; an optimal employment of the population and improvement of life's quality and expectancy in regions; preserving and effectively using their natural resource potential; preserving the cultural and historical heritage of regions and maintaining the distinctive character of ethnic minorities; strengthening international ties and expanding cross-border cooperation with neighboring nations, etc.⁷⁵

⁷⁵ Dolişniy M. and V. Simonenko. Konceptualna model derzavnoï regionalnoï politiki Ukraïni // *Çasopis «İ»* – 2001. – № 23. – <http://www.ji.lviv.ua/n23texts/dolishnij.htm>

CHAPTER III

POWER DEVOLUTION: THE BASIS FOR LOCAL GOVERNANCE

Ukraine inherited a hyper-centralized model of organizing authority that was often inconsistent with not only the diversity of its provinces but also the interests of state economic and social development as a whole. For this reason, the principal task of administrative reform is to decentralize and deconcentrate state power and that of state administration bodies. Decentralization of power and widespread democratization reduces a province's dependence on the situation at the top state echelons of power and places great responsibility on those who manage local affairs, and in so doing raises the bar on quality requirements for training and successful management of local staff. At the same time, frustration with the local quality of life is significantly diverted at the local level and softens opposition along the state–province axis, by the same token promoting a closer territorial and national integration.

Global practice shows that a super-centralized model of state administration is not capable of providing normal public life. State management experience in democratic European countries suggests that centralization of power at a certain stage leads to inefficiency and even an incapacity of state administration. This was evident with the example of the Soviet Union, which is what ultimately led to its dissolution. Today, the principle of power decentralization with strong local government institutions represents a creative start to organizing power in developed countries. The decentralized model has demonstrated its economic and social superiority to the centralized model.

Redistributing the spheres of responsibility through decentralization releases the central government from the need to routinely involve itself in a broad range of public administration issues. This provides an area for the active involvement of society in matters of administering local and provincial self-government and for the formation of a civil society. Central power is no longer required here, and moreover, it should not manage the performance of local and provincial tasks. Consequently, lower-level governing bodies gain not only the opportunity but are also required to be more flexible and responsive to the needs of their citizens.

The essence of decentralization consists in redistributing the functions and authority of a single state among its corresponding bodies, on the one hand, and bodies of regional and local government, on the other. In other words, decentralization may be horizontal, where the redistribution of authority occurs at one tier between uppermost levels of government. Modern constitutional reform in Ukraine, which intends to redistribute constitutional powers between the parliament, government, and president and eventually transition to a parliamentary-presidential form of administration, is directed at a resolution of this issue. Decentralization may also be vertical, amounting to a transfer of state administrative authority to appropriate bodies of public authority, created in territorial formations of the state.

Decentralization means transferring both public authority (for both tasks and resources) and the monitoring of public finances received from the central (national) government to provincial and local government bodies, which are completely responsible for their own duties and are answerable for the fulfillment of the functions they have

been assigned. At the same time, local and provincial authorities should not be subordinate to the central government but act completely independently of it, existing only as entities of state legal oversight. For this reason, it is vitally important for the stability of a decentralized system of administration for provincial and local government entities to have independent sources of revenue.

Decentralization is a process of expanding and strengthening the rights and authority of administrative units (regions, districts, communes, etc.) while at the same time narrowing the rights of the national authority. Decentralization, as a rule, is accomplished purposefully to optimize the practical resolution of issues of nationwide importance, as well as to actualize specific provincial–local reforms.

Decentralization is called upon to promote a more effective use of common resources and a better quality of services rendered to the public. It deals with the territorial distribution of public authority regarding both the prevention or dissolution of concentrations of power at a single center and the delegation of certain authority to local and provincial divisions of central management bodies, i.e., administrative and bureaucratic decentralization, or *deconcentration*, as well as transferring authority from upper administrative levels to lower, local and regional self-government bodies within the scope of a state administrative hierarchy, i.e., political decentralization, or *devolution* of power.

Deconcentration of authority includes territorial (physical) dispersal of institutions with fairly limited authority, which is often used to even-out all manner of local developments and provide more consistent decision-making and rendering of public

services throughout the country. This assumes a transfer of authority to local and provincial divisions of central state agencies, who are principally accountable to a central authority, for example, the pension fund, the tax or sanitary inspectorate, etc. *Devolution* of authority is intended to reflect the particularities and specific issues and needs of various regions and locales by delegating real governing authority beyond the national scope of power. These independent authority-vested subdivisions—such as communes, municipalities, districts, and provinces—are primarily responsible to their regional and local inhabitants and are intended to expand citizen participation in the decision-making process, thus moving the democratization process forward. Devolution denotes a transfer of power that requires the creation of special institutions with the authority to make decisions that affect territories that fall under their jurisdiction.

Political decentralization is intended not only to improve social monitoring and political activity on the part of citizens, but also to reinforce national integration, to involve representatives of all of the country's social and ethnic groups, regardless of cultural differences or political or other preferences, in unimpeded and fair participation in public affairs, but also to encourage affirmation the priority of national sovereignty over regional particularities. Devolution of authority brings state and administrative agencies closer to the people and provides the public with a higher quality of administrative and public services. It contributes to the development of democracy, the strengthening of the social safety net, the acquisition of experience with civilian control, with political participation, and with the formation of political leadership at the local, regional, and national levels.

The need for different forms of decentralization presents itself as a pressing necessity and flows from management practice requirements. The functions of the modern state require it be present at the local and provincial levels in places where benefits are paid, taxes are collected, laws are enforced, etc.

For example, the main principles of public administration effectiveness that the new Polish model of decentralization rests on are: *public participation*, in which citizens engage local and regional institutions of public authority and administration and monitor the activities of such institutions that are directly related to their day-to-day matters; *subsidiarity*, in which authority is divided in such a way that responsibility for *each function is exercised at the lowest possible level of administration capable of performing said function*; *flexibility*, which is the ability of public administration to quickly react to changing conditions and public opinion; *transparency* and *openness* of the public decision-making process; *accountability* of elected officials and *solidarity*, a unity of purpose, based on common interests and the preferences of different segments of the public.⁷⁶ All of this is extremely important for the subsequent establishment of a democratic political tradition within the format of a broad, pluralistic political culture for the transitional society that is modern Ukraine. The principle of subsidiarity constitutes one of the foundations of regional policy in the modern state and permits the implementation of only those national development programs to which provincial authorities have given their consent.

⁷⁶ Kulesza M., *A New Poland for New Challenges: Effectiveness, Openness, Subsidiarity*, 3rd ed. – Warsaw: Chancellery of the Prime Minister, 1998; Regulski J., *Building democracy in Poland: the state reform of 1998*. Discussion Papers № 9 – Budapest: Open Society Institute, 1999.

Today, many countries employ political decentralization as a strategy for achieving a compromise between the national center and the provinces and thereby achieve political stability. However, political decentralization does not always automatically lead to greater democracy, since decentralized authority supposes two fundamental conditions. First, state administrative units must have a certain degree of autonomy and must be self-governed through political institutions rooted in the territory of their jurisdiction. Second, these institutions must be created democratically and make their decisions in accordance with democratic procedures. This means that officials vested with authority must be elected representatives who are accountable to their constituents. At the same time, those constituents must have the opportunity to actively participate in various activities of local and/or regional political life.⁷⁷

Even fairly decentralized communities can measure up differently to democratic criteria as self-government does not automatically bring about democracy. For example, certain communities may be self-governed by warlords, feudal institutions, or other forms of despotic rule (consider, for example, Russia's Chechenya, Iraqi Kurdistan, Afghanistan, the United Arab Emirates, or the sultanates of Malaysia). Local and provincial authority may be eminently decentralized but rely on a traditional tribal elite,

⁷⁷ Kulesza M., *A New Poland for New Challenges: Effectiveness, Openness, Subsidiarity*, 3rd ed. – Warsaw: Chancellery of the Prime Minister, 1998; *Regulski J., Building democracy in Poland: the state reform of 1998*. Discussion Papers № 9 – Budapest: Open Society Institute, 1999.

as in the case of indirect colonial domination that was practiced with regard to their holdings, for instance, by the Netherlands and Britain.⁷⁸

Self-governing territories within a nation-state are chiefly organized on democratic principles, although there is a difference with respect to how fully their institutions and procedures conform to democratic requirements. Free and fair elections, on the one hand, can satisfy one of the fundamental notions of democracy. But at the same time, elections may be a shame if a significant portion of the public is too poorly informed, too poorly organized, or too intimidated to clearly formulate its political demands.

Opinions also differ on how necessary self-organizing local and regional self-government is for the political health of a modern democratic state. The issue is that separate territorial interests may be inconsistent with broader public interests, represented by a central authority. In this case, democracy may rather require centralization than decentralization. As was noted by Roman Paddison, one of the clear trends within the modern nation-state is unimpeded centralization where the expansion of the scope of the state's activity usually accompanied by the progressing centralization of the state itself.⁷⁹

⁷⁸ Cannadine D. *Ornamentalism: How the British Saw Their Empire*. – Oxford & New York: Oxford University Press, 2001.

⁷⁹ Paddison R. *The Fragmented State: The Political Geography of Power*. – New York: St. Martin's Press, 1983.

Even in federated states, centralization gradually shifts the political focus toward federal authority.⁸⁰

For this reason, even though decentralization is not a necessary condition for democratization, it often serves as a factor that stimulates it, as well as a mechanism for averting separatism. But here, it should be noted that decentralization in and of itself, under certain conditions, potentially may turn out to be separatist, as it could be utilized to protect narrowly focused local interests and reinforce the regional inequality, maintaining regional differences in quality and/or quantity of public services.

Economic reasons may also bring about centralization, as the gradual involvement of various regions into the national economy also promotes the political consolidation of the state, which is to say that national economic integration is an invariable attribute of political integration. In the modern state, the fruits of economic development are often not uniformly distributed. Lagging provinces may call for redistributionist measures on the part of the central government, hence impacting the process of decentralization or re-centralization.⁸¹

Thus, decentralization of state administration, deconcentration of authority, and subsidiarity are the basic principles and, at the same time, the goal of transforming public

⁸⁰ *Zimmerman J.* Contemporary American Federalism: The Growth of National Power. – Westport & London: Praeger, 1992; *McMinn W.* Nationalism and Federalism in Australia. – Oxford & Melbourne: Oxford University Press, 1994.

⁸¹ See: Coulson A., From democratic centralism to local democracy // *Local Government in Eastern Europe: Establishing Democracy at the Grassroots* / (ed) A. Coulson. – Aldershot: Edward Elgar, 1995; Regulska J., Decentralization or recentralization: struggle for political power in Poland // *Environment and Planning C: Government and Policy*. – 1997. – Vol. 15,

authority and implementing administrative and territorial reform. Based on the current system of state administration and the territorial organization of power, decentralization must become the principal trend of state policy in order to maintain the pluralism of and gradually lead to greater democracy in Ukrainian society. This means that an absolute majority of administrative and public services must be provided directly by local government bodies. For example, in many countries, such services as motor vehicle registration, vital statistics recordkeeping, and licensing (which are currently “integral” state responsibility) are relegated to the jurisdiction of local government bodies.

One of the most important features in the devolution of power is financial decentralization, overcoming the financial and budgetary super-centralization, establishing a sound system of intergovernmental fiscal relations, and legislative assignment of a fixed part of local budgets in a consolidated national budget. The process of decentralization must rely on transparent administrative and procedural formalities that ought to be established to resolve conflicts related to decentralization and the interrelationship between government organizations, as well as between those organizations and the public. This, however, requires a system of administrative courts.

In the context of Ukraine, the sequence of implementing the reform of public administration must follow roughly the following scheme: continued administrative reform; a gradual implementation of territorial reform; and a synchronized

transformation of public authority with implementation of structural reforms (budget, taxation, land, judicial, pension, education, healthcare, and so forth).⁸²

Essentially, this means reforming the system of administrative division and organizing the regulation of its components, in accordance with new challenges, to develop and strengthen Ukrainian statehood. Directorial control of society has exhausted its possibilities. A new stage of Ukrainian development requires a different organization of public authority, whose principal characteristics is its decentralization and deconcentration, with the corresponding territorial organization of the state.⁸³ Over its period of independence, Ukraine has still not acquired a genuinely democratic form of government (which is not surprising, considering the many obstacles along this path).⁸⁴ It has remained a unitary state with a largely rigid centralized administration and vertically integrated bureaucracy, fraught with the clear domination of the national political will over the interests of the provinces. In this situation, provincial authority is not capable of effectively performing its functions, while local government is not in a position to develop in such a system.

Currently, there fairly sharp debates are underway in Ukraine regarding the problems of constitutional reform of the country's state structure: federative, with broad provincial authority, or unitary, with extensive decentralization of public administration.

⁸² Puxtin'skiy M., Adminreforma i decentralizaciä derzupravlinnä // *Volä-region*. – 2005. № 20–21.

⁸³ Tixonov V., Manifest federalizma // Mezrehionalniy soüz organov mestnoho samoupravleni. – 16 dekabrä 2004 h. – // <http://federal.org.ua/pub/24.php?PHPSESSID=ca03386>

⁸⁴ Motyl A. Making Ukraine and Remaking It, The Petryshyn Memorial Lecture. – Harvard University, 14 April 2003.

The adherents of the unitary form defend their approach by the need to ensure Ukrainian *sobornist*, and opposing federalism in the light of separatist attitudes in the Donbas and Crimea that exacerbated threats to the national unity (although they never had much chance to seriously challenge the Ukrainian statehood absent the direct foreign intervention). Supporters of federalism justify their position by the need to revitalize socioeconomic development of provinces and local government and believe that only this approach will preserve the cohesion and unity of the Ukrainian state. Doubtless, there are kernels of truth in the arguments on both sides, thus, it seems, that the genuine devolution of power would be a welcomed compromise between them.

Although abandonment of federalization in favor of decentralization may seem like a compromise, the boundary between "federalization" and "decentralization" is very tentative. There are federated states in the world with a fairly strong central authority and unitary states in which provinces and territorial municipalities enjoy tremendously broad authority. It's just that, in modern Ukraine, with all of the country's obvious regional differences, the federal model is viewed as a very decisive first step toward national disintegration. Hence its diametrically opposed assessments: an exaggeration of both the perils and benefits.

Federalism is, first of all, political decentralization, where territorial units acquire distinct political rights and a certain degree of sovereignty. Federal units have political authority in the sense of being able to enact regulations and rules. In the US, federal units (constituent states of the Union) have their own charters (constitutions) and thus, become quasi-sovereign states.

At the same time, federalism provides conditions for the natural development of diversity in all of its manifestations—cultural, social, etc. Federalism does not permit all power to be concentrated at the national center, yet it must be acknowledged that a federative structure may create certain opportunities for the forces of separation. A demonstration of this was the breakup of nominally federative Czechoslovakia and Yugoslavia, as well as the USSR, which prompted the appearance of an independent Ukraine.

Federalism is the most decentralized form of administration, in which regional governments receive their authority not from central (federal) power, but from their constituent citizenry via constitutional consent, on which the competency of regional authority and federal power depend equally.⁸⁵ The logic of federal development leads the central and regional governments into growing interdependence.

Today's calls for the federative organization of Ukraine did not come from nowhere. A century ago, during the first Ukrainian revolution and an attempt at the establishment of the modern Ukrainian state, the eminent Ukrainian historian and statesman Мiхайло Hрушевський (Mikhailo Hrushevskiy) advocated the federative form for Ukraine. He articulated the national aspirations of the Ukrainian people as follows: "True to the precepts of the Ukrainian national liberation movement, which advanced the federal principle as the foundation for the future constitution of political and national relations, ... we acknowledge federative forms to be the best way of national unity with

⁸⁵ King P. *Federalism and Federation*. – Baltimore: Johns Hopkins University Press, 1982; Elazar D. *Exploring Federalism*. – Tuscaloosa: University of Alabama Press, 1987.

the interests for the free and natural development of national life...”.⁸⁶ Hruševskij believed that “the Ukrainian republic, in the end, will be a federation of lands—a United States of Ukraine.” He also noted: “Whether or not the Ukrainian republic will be formally called a federation, it must nonetheless be organized as a federation of its *de facto* communal republics. Any imposition on communes of mechanical unitarity will be a serious blunder, which will entail only resistance, counter-reaction, and centrifugal tendencies, or will only provide grounds for new civil discords”.⁸⁷

Federal states are, arguably, more democratic than unitary states, although this can be fully asserted only with respect to genuine federations, in which federal units also build a power structure based on decentralization and democratic procedures. Federalism assumes solidarity, where strong regions help weaker ones, where compromise is reached, and where there is mutual respect, including for opposing views. Specific historical conditions and political traditions, as well as national and other features of a particular state have to be considered regarding the advantages of a federative or unitary form of state organization.

Truth be told, the nature of federalism is fairly complex and it not always suitable for the solution of the problems of the relationship between federalism and democracy faced today by the Ukrainian state. For example, federalism in such countries as Nigeria, Ethiopia, Pakistan, the United Arab Emirates, Malaysia, or Russia did not help the achievement of genuine democracy, the successful resolution of interethnic problems, or

⁸⁶ Hruševskij M. *Osvoboždenie Rossii i ukraïnskiy vopros*. – SPb, 1907. – p. 88.

⁸⁷ Hruševskij M. *Xto taki ukraïnci i čoho voni xočuť*. – Kijiv, 1991. – p. 230–232.

the establishment of a developed civil society. Nor have many of these issues yet been addressed in such federal states as India, Brazil, or Mexico.

At the same time, these high standards are routinely observed in such unitary counties as Denmark, Sweden, Norway, Finland, the Netherlands, France, Chile, New Zealand, etc. Consequently, federalism *per se* is not a universal means of developing a market economy, for creating lawful and democratic institutions, or for improving the life of the people. In addition, there are examples of classical federal states—Australia, the United States, Canada, Germany, Austria, and Switzerland—that provide convincing evidence of the success of the federative model of development. Thus, on the one hand, federalism cannot be idealized; on the other, it is not sufficient to be nominally (or formally) federal—the federalism must be intrinsic.

A *unitary state* is a politically organized territory with a sovereign government that commands full authority and uniformly exercises its public authority within the limits of its clearly delineated legal boundaries. Preserving the unitary nature of a state is a decisive advantage of accommodating regionalism via decentralization, since it reduces the political risk of secession, while simultaneously offering sufficient space for expressing a separate identity. Accommodation also leaves the necessary time for nation-building processes to draw a problem region into the orbit of common national interests. At the same time, it is fully conceivable for a unitary state to transfer a significant portion of its authority to regional authorities, and thus become a quasi-federation, as happened in Spain and South Africa.

It is notable that the concepts of federalism and unitarism are treated ambiguously in the modern academic world. At the same time, as these terms become rather blurred,

they undergo a certain convergence.⁸⁸ Thus, in Western Europe and South America, the difference between unitary and federal states has clearly faded and become nominal. Even the federal United States of America exhibits significant unitary characteristics, while unitary Spain resembles a federation. What is productive is not the contraposition of federalism and unitarism, but refining the division of authority among state agencies at different levels.

Today in Ukraine, there is an urgent need to elevate the role of communes (first of all, through the redistribution of administrative functions and budgetary authority) within the scope of the existing unitary structure.⁸⁹ The interests and priorities of their citizens may be adequately satisfied only through local self-governance. The administrative reform must define the mechanism of state support and development for local government and municipal reform and for establishing territorial communes as primary local government units. For this reason, the principal goal of the reform is to create capacity for local government, i.e., a constitutional right of territorial communes to independently address local issues. The existence of such self-governance is one of the most important indicators of mature democracy in a country.

Active efforts to develop a system of local government in Ukraine were begun in the 1990s. On December 7, 1990, the law “On Local Councils of People’s Deputies of the Ukrainian SSR and Local government” was adopted, in which local councils were referred to as *state agencies of local government*. This implied a greater state

⁸⁸ Çirkın V., *Gosudarstvennaä vlast’ subieĳta federacii // Gosudarstvo i pravo.* – 2000. – № 10. – p. 6.

⁸⁹ Tomenko M., *Federaciä «vidyänukoviĳa i Axmetova» // Ukraïnska pravda.* – 06.12.2005 r. – <http://www.ppravda.com.ua/news/2005/12/6/36353.htm> /

involvement in local government and, effectively, the abolition of its *self*-governance via *étatisation*. The predominance of state interests and state management of the activities of local government agencies remained a defining characteristic of their operation. State interference occurred across-the-board, affecting the most basic functions of self-governance: staffing policies, financial and economic independence, and land use. Having no financial or administrative levers, village and town councils and their heads were forced to delegate almost all of their authority in these areas to local state administrators, who in the later years directed even the very process of electing local councils and vetted the candidacies of future councilors.⁹⁰

In due course, the political doctrine of Ukrainian President Leonid Krawčuk was to emancipate local self-governance from state interference, codified in the 1992 law “On Local Councils of People’s Deputies and Local and Regional Self-Governance.” However, this fairly liberal concept was only partially implemented. Subsequently, under President Leonid Kučma, a state-centered concept of self-governance was introduced that was democratic in form but characteristically bureaucratic in content.⁹¹ There is a persistent necessity for laws on delineating authority between local state administrative offices and local government agencies and the financial basis of local government. This would encourage its effective development, both at the local and at the regional levels,

⁹⁰ Bondarenko V., *Miscevomu samowrädüvannü – ideologüü ý politiku pomarančevõi revolücii // Volä-region. – 2005. – № 1.*

⁹¹ Kampo V., *Sto dniv novoho prezidenta u sferi miscevoho samowrädüvannä // Volä-region. – 2005. – № 1.*

and would allow for a significant improvement in the quality of administrative and public services offered.⁹²

Since they lacked both rights and resources, local authorities became negligent as there was little to be responsible for. It is no accident that local government still largely consists of empty declarations, especially in villages and rural townships. This situation is one of the main reasons for the low effectiveness of public administration and, correspondingly, the low standard of living among the majority of the citizenry. As was noted by Antonina Kołodiŷ, "...the majority of the public lives too woefully. It's different in different provinces, but it's woeful everywhere".⁹³ Communes have few rights, are deprived of resources and authority, and consequently, are not able to address vital public issues. It directly undermines the right of residents of territorial communes to "independently deal with local issues" enshrined in the Constitution. However, this is not possible without an effective judicial system, which is needed not only to allow local government to defend its interests before the state but also to allow members of a territorial commune to defend their own interests before local government agencies.⁹⁴

The European Charter of Local government and the European Charter of Regional Self-Government, which lay the legal foundation for changes with regard to administrative divisions and the advancement of local self-governance, are important

⁹² Hanenko O., *Ças pidvoditi pidsumki, aboyäk miscevomu samovrăduvannü obicäh rozvyăzati rukı // Volă-region*. – 2005. – № 12–13(46–47).

⁹³ Kołodiŷ A., *Ukraïnskiŷ federalizm: politični aspektı // Çasopis «İ»*. – 09.11.2001. <http://www.ji-magazine.lviv.ua/seminary/2001>.

⁹⁴ Łotoćkiŷ O., *Reforma: administrativna ŷ teritorialna.yäk baçať ii v Sekretariati prezidenta // Bŷleteń «Partnerı»* – 2006. – № 7(84) – <http://www.cpp.org.ua/clients/cpp.nsf/0/11F87F9/>

legal documents for the development of local government in Ukraine. The rights of communes are most thoroughly described in the European Charter of Local government. It is rightly referred to as the foundation of the classical liberal democratic model of local government.

The current Ukrainian system of governance at the local level does not meet the generally accepted European criteria set forth in the Charter, which is a part of Ukrainian law. In particular, it does not meet the criterion of subsidiarity, which calls for empowering the levels of authority that are closest to the public with the greatest powers. This failure by Ukraine to meet the provisions of the Charter is a significant obstacle on the path to country's integration into the European Union, where local government is perceived as one of the most important guarantees for the stable development of a country.

Selecting an optimum model of local government will have a significant impact on its effectiveness. The Concept for Administrative Reform proposed in 2005 by former Ukrainian Vice-Premier Roman Bezsmertniy also included a model for local government based on the Poland's example. However, as was noted, this concept was severely criticized at the local level. With time, alternative approaches to administrative and territorial reform appeared, and nowadays different models of local government in Ukraine both traditional models, as well as innovative models of development are gaining in popularity. It would be ideal if each territorial commune had its own development model. "A developmental model for local government presents a framework for systemic improvement of social, industrial, economic, institutional,

informational, and law-enforcement conditions".⁹⁵ According to it, local government must be given as much authority and, correspondingly, as much responsibility as possible. State power must be decentralized so as to give concrete substance to the concept of "delegated authority," distribute power among different levels of local government (regional, sub-regional, and basic), and determine the role of the state in this new model of local government, and in particular, the role of local state administrations.

Currently, the lion's share of even current stingy budget allocations to village councils are spent on education, healthcare, and cultural activities, that is on performing the functions of the state. In other words, it spends almost all of its resources on exercising those very same powers delegated to it. For this reason, the exercise of delegated powers by local government agencies must be accompanied by the transfer of appropriate state-held resources—and in particular, of financial resources. This principle is what administrative reform is called upon to implement. Local budgets must be created from the bottom up, at the local level; only then will they be real resources for the development of territorial communes.⁹⁶

It must be noted that salaries of municipal officials are also paid out of the local budget. Should we then be surprised to learn that a person whose salary is about \$200 and who deals with property and contracts worth a hundred times that amount will become corrupt or criminal? In the final analysis, that same territorial commune loses

⁹⁵ Mixëeva O., Koznomu mistu sviy nray i prava // *Volä-region*. – 2005. – № 18–19 (52–53).

⁹⁶ Şevçenko N., Wsã włada – hromadi: administrativno-teritorialna reforma na miscevomu rivni oçima praktika miscevoho samowrãduvannã // *Aspekti samowrãduvannã*. – 2005. – № 4(30) – <http://www.cpp.org.ua/>

out, because there is nothing so expensive as an impoverished bureaucrat. The resulting conclusion may appear paradoxical: sound local government in Ukraine will appear only after the reform of the wage system has been implemented. Salary comprises 70% of the revenue structure of household income in EU member states; the remainder is accounted for by rent and welfare benefits. In Ukraine, the salary share of the GDP is ~ 27%; in developed countries, this same share varies between 60% and 80%. Its portion of production cost over the period of Ukraine's existence as an independent state has varied from 9% to 13%, while in most European countries, this index has attained 30%–35%.⁹⁷

Addressing the problem of income growth exclusively by increasing the minimum wage, as has been done to now, is not possible because such increases represent an additional burden on budgets at all levels. Local budgets turn into "survivalist budgets," and as far as development budgets are concerned, these are out of the question. Thus, it will not be a simple increase, but an actually radical reform of the wage system, a reduction in tax pressure, and the emergence of wages from the shadows that will today enable the creation of a stratum of solvent citizens. When a resident of a city or village views oneself as a taxpayer who contributes to the local budget, one can demand local authorities to perform their duties.

The entire depth of problems faced by local government can be described by the current state of their budgetary support. The discontinuity in financial and budgetary capacity between EU countries and Ukraine is huge. For example, in the EU, what is considered a standard expenditure for one commune resident is €2,000. In Ukraine, the

⁹⁷ Hryneveckij S., Paradoxi mestnoho samoupravleniä // *Zerkalo nedeli*. –№ 38 (617), 7 – 13.10.2006.

mean indicator of budgetary support per person is less than 1/10 of that sum and in most village councils it is less than 1/100. Then again, in Kīw, this index rises in value to over €500. More than half the territorial communes in Ukraine are insolvent. The money in their budgets, as was said by the chair of one village council, is enough only to pay the salaries of the chair, the village council secretary, and a warehouse clerk.⁹⁸

The situation that has emerged with filling local budgets is clearly not normal. If in Kīw, 100% of income tax and 100% of land use fees flow into the city's coffers, then only 25% of such revenue remains in village budgets. For example, in Sarnı, a town of 30,000 in Rivne province, the annual tax revenue amounts to UAH 17 million. However, all of this money is taken out by the district and province, after which only UAH 1.5 million—less than 10%—is returned to the town's budget. It is clear that because of such a methodology of budget formation, Ukrainian cities—especially the small ones—are economically depressed in the same way as the villages.⁹⁹

A clear delineation of authority is required in order to bring order to the mutual relations between agencies of state authority and of local government. As a start, a complete list of functions of each state department in a province and of all local government organizations must be compiled. A determination must be made as to whose funding comes from the state budget, and whose comes from local council budgets. These functions must be classified as supervisory, punitive, and authoritative (i.e., corresponding to control, disposition, and use). At the same time, a clear statement must

⁹⁸ Reformayäk mistectvo mozhvoho // *Aspekti samowrädumannä*. – 2005. – № 4(30).

⁹⁹ Soskin O., Dosvid wprovajennä miscevoho samoupravlinnä w Ukraïni // *Ekonomičnij Çasopis-XXI* – 2001. – № 9 // Portal Ołeha Soskina – <http://www.cityukraine.osp-ua.info/index.php?m=vybrane>.

be made with respect to whom or to what a given function is performed and within whose authority it lies. This will permit the elimination of duplicated or ineffective functions and will show whether or not all of them have been provided with adequate resources and authority (as well as if any among them have unjustifiably excessive authority). A registry must be compiled of state-owned assets whose ownership (with all the functions of control, use, and disposal) is being completely transferred to territorial communes. This will result in the development of provincial privatization programs and schemes and will encourage the process of creating provincial agencies to control such assets.

Territorial reform in Ukraine will touch on problems of providing services, i.e., administrative, public, and communal. As is known, utility services such as power, heat, and water are controlled by both different levels of administration and different owners. It is very important to know who (and at what level) owns companies that provide localities with electric power, water, gas, etc., and who is responsible for this, as well as for the activities of educational and medical institutions, etc. This is why a need has emerged for the redistribution of property. It would be most expedient to do this via corporatization with subsequent transfer of shares to local government in proportion to the share of property within city limits. Naturally, this requires the agreement of all local councils.¹⁰⁰ Resolution of fairly complex issues of how to dispose of lands and communal property lies ahead as well, along with issues of urban planning, zoning, housing and utilities, and so on.

¹⁰⁰ Şkuläk M., Zauvahı do reformuvannä territorialnoho ustroü derzavı // *Aspekti samowrädovannä*. – 2005. – № 4(30).

A new phase in the development of Ukraine also requires a new quality of public administration, refinement of its model, and enabling local government. Public well-fare and a strong state are not possible without both decisive reforms of the state and the establishment of sound self-government, which are the foundation for the democratic organization of power. Currently, two important issues are emerging in the area of local government. The first is tactical, i.e., to renew the full scope of its normal functioning over the near term. The second is strategic, i.e., to develop and introduce new and truly democratic models of local government.

Today, both policymakers and theoreticians cannot clearly distinguish local and regional forms of territorial self-government. Local government is the right and ability of local government agencies to regulate and administer, within the limits set forth by law, a significant part of public affairs in the interests of the local population. In other words, local government is based on the common interests of the residents of a given commune. The goal of regional self-government is the promotion of a region's development, including the development of the transportation infrastructure and improvement of the investment climate and the region's attractiveness. It is based not only on the common interests of its residents but also on the interests of the state with respect to regional development.

In Ukraine, there ought to be a separation of local government reform and the introduction of regional self-government. Initially, conditions must be created for the development of effective local government. At this stage, rural and urban communes must undergo consolidation. It is necessary to decentralize the budget and authority and

to eliminate district state administrations in the form in which they exist today. Full self-government must be introduced in districts, as an additional level of communal self-government. Changes at the local and regional levels (establishing regional council executive committees, direct election of their chairs, etc.) cannot be done contemporaneously. Reform at the regional level should be postponed to a later time, after the completion of the first stage of reform. In this regard, Koliuşko and Timoşuk warn that "simultaneous reform at the local and regional levels will hinder a chance for local government to develop and may possibly threaten destabilization of the state".¹⁰¹

Also, the current model of public administration is governed by a significant imbalance in favor of the state executive branch at the expense of local government, which was a consequence of strengthening the centralization of public administration, as established in the Ukrainian Constitution of 1996. In recent times, territorial self-government has been reduced to a local, baseline level of primary units, i.e., the territorial communes of cities, villages, and towns. This suggests that Ukraine has ignored the international obligations it has assumed under the European Charter of Local government.¹⁰² In ratifying the Charter, Ukraine has accepted that "for the well-balanced operation of all levels of self-government in the country and for a clear understanding and separation of corresponding authority, the law and Constitution must unequivocally distinguish local government from regional self-government, and the latter from agencies

¹⁰¹ Koliuşko I. And V. Timoşuk, Reformuvati centralizovano. Ale z decentralizaciëu na vistri kuta // *Bületeň «Partnerı»*. – 2005. – № 11(77) – <http://www.cpp.org.ua/clients/cpp.nsf/>

¹⁰² On the Ratification of the European Charter of Local Self-Government, Ukraine Law No. 452/97-VR, dated 07/15/1997.

of state power at the local level." However, Ukrainian authorities did not take account of this for a long time.

In order to introduce regional self-government, the concept and scope of regional self-government authority must be defined by law, jurisdiction must be delineated, as must the manner in which representative and executive agencies are created, their procedures, their officials, etc. The principal item must become a clear delineation of the level of exclusive jurisdiction of local and regional self-government, which must not intersect. The European Charter of Regional Self-Government, which was approved by the Congress of Local and Regional Authorities of the Council of Europe in 1997, may serve as the baseline document establishing the principles of self-government at the regional level. This document defined, firstly, the concept of a regional authority that is administratively situated between the central government and a local administration, and secondly, the jurisdictional limits of regional self-government bodies in accordance with the principle of subsidiarity.

Local authority must address various issues concerning the day-to-day public life, including street lighting, garbage collection and disposal, maintenance of recreational areas, and so on. An important issue is providing the public with high-quality medical care and delivering educational and law-enforcement services. Innovative models for developing local government provide for the broad involvement of citizens in local affairs. On the other hand, local government cannot take over providing these services without having the authority to do so, as set forth by law. But delegating this authority with resource allocation is not possible due to a chaotic territorial division of the state,

shortcomings in the fiscal, budgetary, and property systems, which do not facilitate decentralization of state power and the development of local government, and consequently, the provision of administrative and public services. This, in turn, leads to a haphazard structure of state agencies, budgeting, and fiscal model, system of distributing authority.

With the objective of European integration in mind, naturally, the system of territorial division must also be oriented toward the European model. In terms of population and size, Ukraine is among those countries that shall employ a three-tier system of territorial division: regional, district, and communal levels. The universal criterion for the distribution of territorial division levels used in the practice of European countries is multiplicity. Consistent with statistical data, the ratios of region to district to commune are multiples of each other. If we analyze the ratios, for example, of fiefs, counties, and provinces (the imperial Russian predecessors of today's territorial system) or of gminas, powiats, and województwa in Poland, it turns out that they are also multiples of each other. All other criteria may be applied only as correlational factors. The latter include areal size, its industrial capacity, climatic zones, budgeting potential, taxing capability, etc. All these correlational coefficients may be applied upon determining the key factor, which is the size of the population.

The three-tier system of administration is dominant precisely from the perspective effectiveness and efficiency of providing public services. It is obvious that the problem of territorial reform is fundamental, but its solution must be carried out together with changes in or redistribution of authority, as well as budgeting and fiscal reforms. The

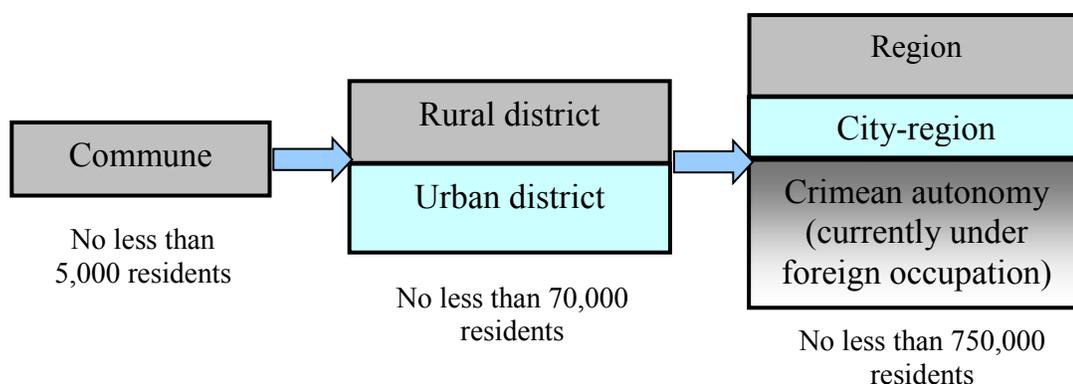
country's territorial organization must change on this basis for the sake of bringing authority closer to the people, which will provide for the greater satisfaction of the needs of the citizenry.¹⁰³

Due to the current muddled model of territorial division, there is a necessity for an institution that coordinates and organizes activities within a given territory. In changing the territorial division, there must be a decentralization of authority, since, without this, changes made to territorial division lose all purpose. However, at the region level, unlike at the local level, the institutions of state administration must be sustained, because there are departments that have, over many years, grown both as vertically representative offices of central executive branch agencies, in particular, of internal affairs (law-enforcement), of justice, and such. Their coordination of administrative functions, which they must perform at the central level, are required. Indeed, it would not be an exaggeration to say that the history of local government in Ukraine is one of the conflicts between state executive branch agencies—in particular, regional and district state administrations—and local councils.

In transitioning to a new system of territorial division, the key question has to do with managing authority among territorial levels. There are six purviews of such authority: budgets, executive structure, staffing, approving salaries, assessing the actions of executive bodies, and dismissals), and they may not be transferred or delegated to other institutions of power. The need for common steps with regard to issues of territorial

¹⁰³ Bezmertný R., Vístup na zasidanni «kruhloho stołu» // Materiali zasidannä «kruhloho stołu» «Administrativno-teritorialna reforma: zavdannä, šläxi realizacii, kriterii efektivnosti». – 2005. – 16.05. – // <http://www.niss.gov.ua/Table/Adminref/>

reform and changes of authority among agencies of authority calls up a need to find one's bearings with respect to the horizontal organization of territorial division. Considering all of the components and correlation factors affecting aspects of such organization, this may be depicted as follows:



Duties of *regional*-level authority may include: implementation of regional development programs, training and retraining their staff, developing regional education network, maintaining regional roads and other infrastructure, as well as specialized medical care, preventing and responding to emergencies, coordinating police activities, managing communal facilities, leisure and cultural activities. *District*-level duties include ambulatory services; training of junior medical personnel; professional and technical training; organizing and maintaining local police, transportation services, and district roads; art and cultural activities as well. *Commune*-level duties include maintaining preschools, care facilities for the elderly and handicapped, elementary, and secondary schools, addressing sanitation, land use, and public health monitoring.¹⁰⁴

¹⁰⁴ Bezsmertniy R., Materiali zasidannâ «kruhloho stołu» «Administrativno-teritorialna reforma: zavdannâ, šlâxi realizaciï, kriteriiï efektivnosti». – 2005. – 16.05. – // <http://www.niss.gov.ua/Table/Adminref/002.htm>

Ukraine is in need of serious changes in terms of territorial organization, where decentralization of state power and administrative agencies and development of local government are interrelated processes. Without decentralization, normal development of local government is not possible; without self-government, decentralization will not lead to a real improvement in the life of the people. Only an integrated approach to administrative reform, and in particular, to the reform of executive branch agencies, of public service, and of local government offices and agencies, as well as administrative reform and reform of local government, will allow Ukraine to emerge into a qualitatively new phase of innovative development.

Further evolution of democracy can proceed only through the development of civil society, which is advanced by improving the interaction between agencies of state power and of local government. The broad involvement of citizens in the preparation of national and local decision-making will ensure transparency of authority and of administrative agencies and public control of their activities. The effective local government is a prerequisite for democracy in Ukraine. And lessons from the Polish experience of both the administrative reform of the central government and the local government reform could serve as a model and an inspiration for Ukraine.

CHAPTER IV

ADMINISTRATIVE REFORM IN POLAND IN 1990-1999

Since the fall of the Berlin Wall, many post-communist countries of East-Central Europe launched major decentralization reforms; yet, only a few of them have managed to fully and successfully implement them. Poland is one of the best successful examples of such a reform, based on the principle of subsidiarity. Poland has undergone a difficult and complex period of transition from a centralized, authoritarian political system to a democratic one. It had to be restructured in several dimensions: new legislation had to be adopted and implemented, democratic institutions created, a market economy established and the property structure completely transformed. In a democratic system, the state is not supposed to control and manage, but to create stable and secure conditions in which its citizens, social groups, and business entrepreneurs can actively manage their own affairs. It is impossible to implement the principles of a democratic system using the state structures organized in an authoritarian way; therefore, the state structures and their organization must be changed. The reform was designed to change and adapt the state structures to their new role.¹⁰⁵

Decentralization of state functions in Poland began in 1990 with the creation of local self-governing communes; the sound success of the local government reform laid the foundation for the subsequent phases of the administrative reform, as well as territorial reform. Decentralization was intended to eventually result in the more efficient

¹⁰⁵ Regulski J. (1999), *Building Democracy in Poland: The State Reform of 1998*, Discussion Papers No. 9 (Open Society Institute: Budapest), p.1

use of public resources and a better quality of public services, the goals they generally are thought to have achieved. The quintessential feature of the reform was its systemic nature as its “package” also included public education, health care, and social security. The reform was also aimed at ameliorating regional disparities in the level of socio-economic development that persist between parts of the country. Therefore, new regional authorities were endowed with some planning powers to assist both local and national efforts, although such an accomplishment would have to take a lot of time to bear fruits. The Polish local government reform was a great success, but a success achieved through the thorough and tedious processes of political, social and economic transformation.¹⁰⁶

A three-tier administrative system - commune (*gmina*) - county (*powiat*) - province (*województwo*) - that constitutes local government in Poland has a long history and traces its origins to the Middle Ages. It was diverted from its natural course of modernization and development, firstly, by the lack of national sovereignty since the end of the eighteenth century through the end of WWI, and later during WWII. The arrival of the Red Army in 1944 brought Poland a new Soviet system of governance. The new authorities introduced their model gradually, eliminating opposition and increasing control over public affairs. They restricted the practice of local governance, as they viewed all forms of public organization as a threat to their rule. The law officially abolishing local government was enacted in March of 1950, replacing the traditional local government apparatus with a new system of “people’s councils”, just like in Ukraine as elsewhere in the USSR. The Local Government Act of 1950 defined dual

106 Regulski J. (2003), *Local Government Reform in Poland: An Insider’s Story*, (LGI / OSI: Budapest), p. 10

roles for councils as representatives of local interests and executors of state power over their localities. This dual role and dual subordination of the local authorities derived directly from the general principle of the uniformity of state authority. The introduction of that principle resulted in the forfeiture of the status of a legal entity of any commune and, as a consequence, of its property rights.¹⁰⁷ This arrangement survived, with few modifications, until 1990; a major adjustment to this order was made in 1973-1975, however, because central authorities felt endangered by the increasing political power of provincial Communist party authorities. It increased the number of provinces threefold, decreased their territory and abolished counties. By 1990, besides 49 smaller provinces (referred here as districts), there were 2394 entities at the local level, including 247 cities, 1546 rural communes (*gminy*), 26 urban communes (municipalities) and 575 communes of mixed urban and rural character.¹⁰⁸

The Soviet-style conception of power in Poland was a significant departure from the Polish tradition and its familiar models of democratic statehood. "People's Poland" had a very strong ideological underpinning. The constitution of 1976-recognized its ruling party as a leading force entitled to define policy goals, and the state administration was largely understood as its executive branch, expressed in the slogan: "the party rules, the government manages". The ideological state required an extremely centralized system of decision-making. Any institutional network was constructed as a hierarchical pyramid of elected bodies and public administration resulting in an environment with no place for local politics. Centrally set state policies did not consider local interests, needs,

¹⁰⁷ Regulski J. (1999), *Building Democracy...*, p.6

¹⁰⁸ Regulski J. (2003), *Local Government Reform...*, p.20

and priorities. Such a hierarchical pyramid was also built for the system of local government for both the elected and the executive bodies. Public opinion was largely ignored, as the party's ideology guided social order, often against the will of the people. The state's legal and institutional structures and its operational procedures were also defined according to principles springing from its ideological orientation. Therefore, the state had to be constructed in such a way as to control citizens and leverage their compliance with state decisions. Thus, the ruling bureaucracy found it necessary to maintain a centralized state whose control infiltrated both the public and private lives of citizens. In the initial stages, it exercised this control through political pressure and police terror. Over time, as police intimidation subsided, it developed systematic methods of direct rule.¹⁰⁹

Nevertheless, Polish postwar history was characterized by a repetitive wave of political crises allowing some moves toward decentralization. After each political crisis, a new act concerning local government was passed by the parliament as a governmental reaction to public discontent. The decentralization policies were, however, abandoned every time after a relatively short period. Only since the radical political change in 1989, the move towards decentralization took on a different character. This phenomenon of a cyclical wave of decentralization and ensued re-centralization was a result of pressures for and against centralization. The need to decentralize came out of a strong social dissatisfaction of the very poor quality of public fabric: the housing shortage, the underdeveloped infrastructure, and the heavily polluted environment, which centralized management was unable to resolve; a demand for political and economic policies that

109 Regulski J. (2003), *Local Government Reform...*, p.19

would make the authoritarian regime more open to decentralization of tasks, and thus give more opportunities for the direct involvement of local societies; a desire for less direct control and supervision, and less command-like management from the central level, which had been broadly voiced by local governments and many state-owned enterprises. But the barriers to decentralization were in a perception that it was a first step in the erosion of the political system and a challenge to the overall control by the ruling party, thus, threatening the interests of its bureaucracy, which was a very important political player. Besides, the economic crisis and the unbalanced state budget called for tight central control over local finances, while the lack of experience and knowledge of what self-government means and what the benefits of a decentralized system for local communities are have resulted in the lack of public support for decentralization.¹¹⁰

Another important factor was the organization of the society around the workplace and professional interests and not according to the place of residence. The state was divided into economic sectors. Each minister, in addition to one's responsibilities over national policy in a given area of management, headed a hierarchical organization within the sector, controlling hundreds of state-owned enterprises. Within such enterprises, primary-level party organizations directed the operation of the enterprise and determined the career paths and working conditions of its employees. Additionally, trade unions played an important role in distributing goods and services to reward political obedience. They organized employee vacations in enterprise holiday centers, distributed vouchers allowing for the purchase of a car or access to the

¹¹⁰ Regulski J. (1999), *Building Democracy...*, p.8

enterprise's allocated apartments. The trade unions made labor agreements separately, by sector, resulting in loss of privileges associated with a change of jobs. In effect, this alliance between political authorities, the police and employers produced a framework, within which citizens, in order to maintain their standard of living, had no choice but to acquiesce to conditions of restricted rights and liberties. The purpose and its effect were the attachment of citizens to their places of work; such tight regulation diminished the likelihood of independent activity. The ruling party feared spontaneous and uncontrolled local initiatives. The system, therefore, ignored links with towns or villages and there were no forms of public organizations associated with places of residence.¹¹¹

These two forms of citizen organization — based on one's workplace or place of residence — are mutually antagonistic; the strength of one necessitates the relative weakness of the other. Authoritarian systems prefer the former type of organization, democratic systems — the latter. A country's post-authoritarian transformation, therefore, also required social reorganization that unavoidably met challenges from societal mentality, habits, and resistance of groups, which stood something to lose as a result of such changes.¹¹² Transformations in this area are of key importance to the development of civil society. A problematic concept of dual subordination instructed the behavior of local authorities, which were supposed to represent both local and national interests at once. Simultaneous representation is infeasible, as local and national interests are often contradictory. Adherence to the notion that local interests are inferior to the interests of the state required council members to obey the central government and forced

¹¹¹ Regulski J. (1999), *Building Democracy...*, p.7

¹¹² Regulski J. (2003), *Local Government Reform...*, p.20

local authorities to follow instructions from the top. Because an individual's career was unequivocally dependent on obedience, councils acted as the executors of instructions, representing the interests of the state, or to be more accurate, the ruling party. People's councils, despite being elected bodies, constituted a hierarchy with the State Council at the top. Higher-level councils exercised power over the lower-level councils under them. The executive bodies of the councils were also subject to dual subordination. On the one hand, they were answerable to councils, while on the other, individual departments at the communal/municipal level were subordinate to corresponding departments at the county and district levels, which in turn were controlled by the relevant ministry. In practice, each ministry had its own representation at the sub-national level, formally supervised by local authorities. Local authorities had no means by which to implement policies of their own: they were not legal entities and did not have their own property. They merely managed property owned by the state and operated budgets that were part of the national budget.¹¹³

In 1989 Poland inherited a centralized system suitable to the functions of the authoritarian state. In order to establish standards of a democratic one, it was necessary to reduce its administrative powers. The reduction process progressed in two directions. The scope of state authority was reduced through privatization and deregulation, while the state authority was decentralized through the transfer of numerous powers to local and regional governments.

¹¹³ Regulski J. (2003), *Local Government Reform...*, p.20

The decentralization concept, although commonly invoked, is not always correctly understood and often confused with deconcentration. The former is the transfer of authority and resources among autonomous units, while the latter is a top-down transfer of functions within the same management system. In the case of deconcentration, responsibility remains with the central entity, which delegates certain functions to a subordinate unit only to increase effectiveness. In the case of decentralization, powers are delegated along with the responsibility for specific functions. It is decentralization, not deconcentration, which is the appropriate goal of local government reforms. The former changes the state's institutional system, the latter changes only the manner, in which functions are exercised.¹¹⁴ Therefore, a true decentralization had to take place, where independence of public authorities was guaranteed by law. The reforms concerning privatization and deregulation also lead to the limitation of the power of the government and its central agencies. The process of implementing these reforms is difficult because it requires extensive structural modifications, and it has to overcome many obstacles including strong resistance to change. It is simultaneously necessary to 1) limit the range of the central authorities' activities through privatization and deregulation; 2) decentralize authority and resources; 3) transform administrative structures, eliminating sectoral system and developing a territorial model of the development policy; 4) increase participation of citizens in governing institutions. As a result of these changes, a

¹¹⁴ Regulski J. (2003), *Local Government Reform...*, p.205

democratic country should emerge that would allow for a true partnership between citizens and the state, the central and regional and local administrations.¹¹⁵

During the famous “Round Table” negotiations of 1989 between Solidarity’s leadership and the Polish state authorities the local government section of the Solidarity delegation headed by Jerzy Regulski demanded the restoration of real local government and rejection of the Soviet principle of uniform state authority.¹¹⁶ The dissolution of people’s councils and new local elections was also demanded. But the authorities were well aware of the public’s attitude toward the one-party rule: it was obvious to them that free elections would bring about a transfer of power in communes to the opposition. Considering defeat in local elections the only possible outcome, the government naturally resisted ceding its electoral mandate. While Solidarity wanted systemic changes, a complete departure from the previous system and the construction of a civic state, the government perceived the whole issue in terms of a political power struggle. This forced the opposition to come up with a practical program, which stated that:

“Restoration of genuine local government in cities and communes is a critical step towards democracy. Local governments have to be the only managers of their territories, completely separated from the central administration. Councils must be elected in free and democratic elections. Only if these conditions are met will it make sense for local governments to have their own property and finances. Cities and communes should have a right to form associations and be protected from the interference of districts and

¹¹⁵ Regulski J. (1999), *Building Democracy...*, p.23

¹¹⁶ Regulski J. (1999), *Building Democracy...* p.9

central authorities.”¹¹⁷

The state authorities rejected most of these proposals because they recognized that the rebuilding of local democracy would upset the basis of the whole system. They feared that the opposition would gain control over cities and rural areas through free elections and use this base as a springboard for forming various types of associations and unions, which would, in turn, exert powerful pressure on the central government. Curiously, at the beginning, the leaders of the opposition did not quite appreciate the ideas of local democracy. It is worth remembering that the Polish “revolution” was conducted by groups of intellectuals being supported by workers’ movement, organized in a trade union. None of these groups understood the real significance of local government. The intellectuals concentrated on the basic values such as citizens’ liberties, freedom of the press and association and the necessity for economic reforms. The trade unions were fighting for better living conditions and social benefits. They were organized around factories and professions, and not in terms of regions and local interests. Thus, proposals concerning the rebuilding of local government were not initially considered a priority.¹¹⁸ However, the government’s unbending position on local government reform took Solidarity leaders by surprise and signaled them to examine its merits more closely. As a result, interest in local government reform grew considerably, although its significance and primary importance to systemic transformation as an instrument for restructuring the country remained undervalued.¹¹⁹

¹¹⁷ Regulski J. (2003), *Local Government Reform...*, p.32

¹¹⁸ Regulski J. (1999), *Building Democracy...*, p.10

¹¹⁹ Regulski J. (2003), *Local Government Reform...*, p.31

Finally, the two sides agreed to grant communes legal status and to transfer a portion of state property to them. At the same time, Solidarity opposed the government's proposals on autonomy at the district level on the grounds that local government restoration is a process that must necessarily progress through stages. Breaking with the principle of uniform state authority required the clear division of responsibilities between the state and local levels. Once local governments were established, they themselves should determine the system's future development. Thus, efforts were directed to restoration of local government at the communal level only, while districts were still to be run by the central administration.¹²⁰ At the time real district-level self-governance was not possible for several reasons. If districts were to become legal entities, it would mean the acceptance of the existing administrative division of the country. Meanwhile, it was obvious that the administrative division of Poland had to be changed completely. Furthermore, district's governor (*wojewoda*) controlled many of state-owned enterprises. Therefore, if governors were to become regional officers, the state-owned enterprises would have to be transferred or a new institution would have to be created to represent the state interests. Moreover, local government reform was a major upheaval that had to address the efficiency of public administration. Reorganizing both levels (communes and districts) at once could have dangerously unsettled the operation of the state and the entire program of reforms. Besides, it was extremely hard to divide up property and responsibilities between communes and districts at once; the latter would inevitably become too dominant, taking away much of both. Lastly, districts were not coherent units offering residents the opportunity to identify with their communities, raising the question

¹²⁰ Regulski J. (2003), *Local Government Reform...*, p.28

of how their leadership could speak for “common interest” or act as “common representatives”.¹²¹

The establishment of self-governing communes in 1990 was a fundamental change in the organization of the state. Rejection of the principle of uniform state power led to commune; acquisition of the right and duty to exercise public functions. Clearly, such local governance did not fit into the existing constitutional provisions of the Polish People’s Republic. Hence the establishment of local government demanded changes to the constitution. Such changes were made four times during the 1990s. The Local Government Act of 1990 elaborated on those changes and, in a sense, became the local government’s constitution. Its article 1 provided that commune residents constitute a community and that the term “commune” should be understood as consisting of two elements: the community of residents and its territory. Thus, the purpose of establishing communes was not only to divide the administrative territory of the country, but also to develop local communities capable of resolving their local problems. Communes were obliged to these duties in the next provisions of the law that determined the nature of communes, their functions and, thereby, their size. In 1990 2,383 communes already existed as territorial units; the purpose of the reform was to change the manner of exercising power. By 1998 their number reached 2,489 - a mere 5% increase: the division of the country was stable.

According to one of the guiding criteria for determination of a commune’s size, commune’s main task would be to organize local communities. Therefore, they should

¹²¹ Regulski J. (2003), *Local Government Reform...*, p.29

establish conditions for their residents' participation in government, that is, for direct democracy. In this view, communes should be relatively small because small jurisdictions promote strong local ties. However, small communes are not able to resolve many economic issues on their own or to develop their own infrastructure. Inevitably, they will have to form associations or give away their powers to larger administrative units. These reservations gave rise to another approach, according to which the size of communes should be determined precisely by their ability to perform public functions. Communes would have to be relatively large, but that would also mean an increase in the distance between the residents and administration and a diminished capacity for residents to participate directly in local government. Polish communes had historically been developed according to the latter approach — on the basis of their ability to perform functions. The propriety of that approach was confirmed in the following years.¹²²

Local authorities were made responsible for all public activities not assigned to other public institutions. Particularly, communes/municipalities were to be responsible for the direct provision of services in managing or providing:¹²³

- 1) land use, urban planning, zoning and environmental protection;
- 2) local streets, roads, bridges, public squares and traffic control;
- 3) water supply, sewage treatment, waste removal, dumps and recycling facilities;
- 4) local public transportation;
- 5) primary health care;

¹²² Regulski J. (2003), *Local Government Reform...*, p.103

¹²³ Regulski J. (2003), *Local Government Reform...*, p.105

- 6) public welfare, including hospices and foster institutions;
- 7) municipal housing, electric supply, and heating;
- 8) primary schools, kindergartens, and other educational institutions;
- 9) cultural institutions, including libraries and other municipal establishments;
- 10) recreation, including sports facilities;
- 11) farmers' and other public markets;
- 12) commons and parks;
- 13) municipal cemeteries;
- 14) police and fire departments;
- 15) municipal and administrative buildings and other public facilities.

The Local Government Act of 1990 created conditions, in which local government could: 1) possess its own executive body, independent of the central administration; 2) be financially autonomous; 3) have unlimited property rights; 4) be protected against illegal intervention by the central administration or political parties.¹²⁴ Communes' independent status was also reaffirmed symbolically. The Local Government Act gave them the right to choose their coat-of-arms, rename streets and public squares, erect memorials and grant honorary communal citizenship. Over time this preliminary scope of communal functions was extended. The law provided also that communes could be obliged by law to perform delegated functions falling within the responsibilities of the central administration. Regulations concerning those matters were

¹²⁴ Reguiski J. (2003), *Local Government Reform...*, p.41

to be provided in other laws. Communes could also negotiate voluntary agreements to assume the functions of the central administration. The only change in this area was introduced by law in September of 1995, which obliged communes to prepare and conduct general elections and referenda.¹²⁵

The long absence of a sovereign Polish state had begotten anti-étatiste attitudes in Polish society. Local government reform in its earliest stage was also perceived as a weapon against the state and its administration. It took people quite a while to recognize local governments as agencies of public administration. But that recognition in many cases obliterated the difference between the new system and the Soviet-style people's councils. Today not too many people can tell the difference between the present local government and the former system that included an appearance of local government. Local governments at the communal level have been recognized as something permanent and so obvious that the majority of people believe it has always been like that. Communes appear to have been accepted faster than the effects of other reforms in Poland - evidence that the local government reform has been successful.¹²⁶ The essence of the local government reform in Poland, which was initiated in 1990, was to break up five monopolies of the Soviet state: 1) on political power; 2) on public authority; 3) on public property; 4) on public finance; 5) on public administration.¹²⁷

The Soviet state depended on the goals and policies of one monopolistic party. Local elections in 1990 were the first fully democratic local elections that proved the

¹²⁵ Regulski J. (2003), *Local Government Reform...*, p.105

¹²⁶ Regulski J. (2003), *Local Government Reform...*, p.224

¹²⁷ Regulski J. (2003), *Local Government Reform...*, p.207

ruling party's *political monopoly* had been broken. Since the 1990 local councils have consisted of members representing various parties with diverse political programs. The development of local government contributed to the emergence of local elites, which began to understand the scope of problems concerning not the category of employees or employers, but the conditions of life and development in a given area. The establishment of counties and provinces created new opportunities in this respect. But it would be possible to use these opportunities fully only once the new authorities have worked out new procedures and proved their usefulness in action. However, building a sense of belonging to these entities and ability to use them to accomplish the goals of their residents is yet to fully happen. Social changes take time to take hold — it is not simply a matter of introducing legislative changes.¹²⁸ For example, the relations between communes and the central administration evolved with much difficulty. The latter by nature is not overly friendly to the local government. Initially, it treated local governments as entities clearly dependent on and subordinate to the central administration. The strengthening of communal governments forced the central administration to acknowledge their existence and more seriously treat their interests and objectives.¹²⁹

The principle of *uniformity of state authority* means that only the state could hold power in every area of public affairs, which is a foundation of the authoritarian system. Within such a system there was no room for an autonomous local government, all public institutions embedded in the bureaucratic administrative pyramids were subjects to the

¹²⁸ Regulski J. (2003), *Local Government Reform...*, p.210

¹²⁹ Regulski J. (2003), *Local Government Reform...*, p.211

central authorities. As a result of the reform, public authority was devolved to elected entities at the local level. Consequently, the sphere of public affairs was created outside the scope of authority of the government and its central administration. The significance of that change needs to be given particular emphasis as it is precisely the breaking of uniformity in state authority, along with political freedoms, is the key to purpose in local government restoration.¹³⁰ It is important to realize the fact that communes did not yet exist when legislative work was in progress and their powers were defined. Therefore no one had any mandate to represent their interests. On the other hand, the central administration, which was supposed to give away its powers, not only existed but was well-organized and aware of the dangers of decentralization it was facing. The division of power between the central and local authorities was a result of the power struggle. Changes in that division caused changes in spheres of influence and, thereby, affected the political strength of interest groups. While the principle of the uniform state authority and the associated hierarchical subordination of local authorities were abolished, they left a permanent mark on people's mentality. Local authorities were perceived as an element of the national system of administration subject to higher authorities; hence, people often trusted central government's officials more than communal ones.¹³¹

The right to property ownership is one of the main elements of local government independence. In the past local authorities were only branches of the state administration; they were not legal entities and therefore had no right to possess property. They only administered selected elements of state property and were subject to various bureaucratic

¹³⁰ Ibid.

¹³¹ Regulski J. (2003), *Local Government Reform...*, p.212

limitations. The Local Government Act of 1990 introduced the notion of municipal property and provided that municipal property should be owned by communes, their associations and other municipal entities, including enterprises.¹³² Communes acquired a significant portion of the state property, mainly land, buildings and communal infrastructure; many small commercial enterprises were also handed over to them. Communes were granted full autonomy in using their property. An entire institutional mechanism was established to accomplish the goal of enfranchising communes. It was the first ownership transformation action on such a scale. Municipal property became the basis of very effective communal economy and enabled transactions with huge property resources, which had been formerly blocked by the state. The state was no longer the sole owner of public property. This resulted in the emergence of a real-estate market attractive to investors.¹³³

Clearly defined ownership rights form the foundations of the rule of law and market economy. In order to adjust the former system of state ownership to the new situation, it was necessary to carry out significant ownership transformations. The transfer of national property to communes caused a number of secondary changes as well — the process encouraged not only economic but also social transformation. But many conflicts arose too: various interest groups linked to particular industries or enterprises were resistant to the transfer, and there were problems with corruption as well. With the takeover of property, communes faced the need to transform enterprises, which they appropriated. Although those transformations lingered for years, no satisfactory outcome

¹³² Regulski J. (2003), *Local Government Reform...*, p. 121

¹³³ Regulski J. (2003), *Local Government Reform...*, p.213

was achieved; changes encountered serious resistance from directors, trade unions, and employees who feared they would lose their benefits. However, the effectiveness of municipal enterprises and the level of public services they provided improved considerably. The new autonomy allowed communes to conduct extensive investment activity. The expansion of technical infrastructure reached an extensive level and enhanced development, especially in rural areas.¹³⁴

In the previous system, communal budgets were an element of a uniform state budget and were completely subordinate to the principles of budgetary management and control by the central administration. Therefore, there was no local fiscal policy but the state's *financial monopoly*. In 1990 communal budgets were separated from the state budget. They ceased to be approved by the parliament as part of the law on national budget as had been the case before, and the process of establishing communal revenue sources, such as local taxes, began. Communes were granted freedom to plan their budgets and make decisions about their expenditures. Communal financial management was brought under control of newly- created audit chambers composed of representatives from the ministry of finance and associations of local governments. Local agencies of the central state authorities were deprived of their earlier supervisory rights and of their influence over the amounts of subsidies from the central budget. Funds were to be transferred by the ministry of finance directly to communes according to an algorithm defined by law and, thus, without governmental discretion.¹³⁵ Within the new system local governments, which had their own sources of revenue and were receiving state

¹³⁴ Regulski J. (2003), *Local Government Reform...*, p.213

¹³⁵ Regulski J. (2003), *Local Government Reform...*, p.213

subsidies, were able to appropriate their budgets, according to objective criteria and become increasingly financially independent from the central budgets and more able to execute local policies according to the people's needs.

Unfortunately, in 1990 the public finance system was not restructured to an extent proportionate to the functions and powers of local governments. Communal sources of revenue were not expanded, although the system of subventions, which gave communes full autonomy in spending funds, was their quasi-source of revenue. However, the maintenance of a high number of delegated functions financed through targeted grants in many cases resulted in the excessive influence of the central administration, which made the degree of centralization in finances much higher than in other spheres. Local budgets also were not accordingly increased following the delegation of new functions. That forced communes to spend their own money to cover the cost of new responsibilities, and not necessarily to address priority needs of local communities. Such actions somewhat undermined people's trust in the idea of local governance and, thereby, the central bureaucracy received more support from the public. So, communes sought their own sources of funding; they started to take out loans, issue bonds and join various types of partnerships and agreements in order to attract investments. This pertains mainly to large cities, which had a lot of valuable real estate, which gave rise to a local finance market. The development of banks specializing in services for communes, as well as various other financial and consulting institutions, is a secondary effect of local government reconstruction. Evaluation of local governments' performance clearly indicates that the effectiveness of their financial management was much higher than the effectiveness of financial management by the former state administration. Despite constant financial

shortages, the size of communal investments serving local needs was impressive, which considerably enhanced their social effectiveness.¹³⁶

The *uniform state administration* was the principal executors of central orders. The bureaucracy was also a political power base supporting the Soviet state. Before the reform, communal employees were employees of the state. There was an increasingly recognizable need to establish a local government civil service — a counterpart to the state civil service — and to introduce regulations, which would ensure professional stability. The local administration ought to be protected from instability associated with a change of governments. It is necessary to ensure continuity of office and to protect public interests. The package of basic local government laws passed under the 1990 reform included a law on municipal employees whose status was defined as distinct from that of state employees. In May of 1990, nearly 90,000 employees were transferred, by virtue of law, from the centralized administration to the administration of individual communes. Hiring and firing of employees became an internal matter for communes, upon which the central administration ceased to have any influence whatsoever. Now, on the local level, there is public but no state administration. Communal councils have their own executive structures, and they are now able to run and implement their own policies independent of the state administration.¹³⁷

Reforming this area was a fundamental element of decentralization. Communes could not be autonomous entities if they were managed by state officials. The very separation of local administration was the first step in the process of creating a

¹³⁶ Regulski J. (2003), *Local Government Reform...*, p.214

¹³⁷ Regulski J. (2003), *Local Government Reform...*, p.214

professional local government staff. Communes did a lot of work to raise their employees' qualifications. The number of various types of available training continuously grew and the qualifications of local government staff became increasingly higher. Demand for graduates from schools of administration also rose considerably. In response to this demand many institutions that provide services for communes had been created. The development of autonomy at the communal level had significantly improved the performance of municipal offices: they were computerized and better equipped. Various centers for public education in modern technologies and organization of labor were established.¹³⁸

The development of local government was tightly connected to the growth of civil society. Free from constraints of the authoritarian system, people sought various ways to organize themselves. This was best manifested in the development of non-governmental organizations, local newspapers and radio stations. That process generated a natural interest, and often involvement, in handling local public affairs. Therefore, it promoted the reinforcement of local governments as representatives of local communities and at the same time supported the development of civil society. The fact that the public had a positive opinion about local governments' work confirms this correlation. Increased social support was directly related to a greater understanding of the idea of local governance.¹³⁹ On the other hand, corruption cases were also revealed, as communes managed a significant amount of property. It has been undergoing privatization, and this kind of operation always creates opportunities for abuse, so the

¹³⁸ Regulski J. (2003), *Local Government Reform...*, p.215

¹³⁹ Regulski J. (2003), *Local Government Reform...*, p.209

media have publicized a huge number of controversial cases. Obviously, it was not corruption that increased, but rather that more cases of corruption were revealed owing it to decentralization of the administration and development of the independent press, particularly local newspapers. However, the fact that public was directly bombarded with various reports of corruption weakened its trust in local authorities and lessened public support that had so far enabled their effective work and development. The road to improvement led through increased transparency of public affairs and legislative guarantees that the public had access to information on the activities and decisions of local and regional authorities.¹⁴⁰

As the reform's significance slowly gained public approval, local authorities became a lasting element of the Polish political scene. Local self-governance was recognized as "the basic form of organization of public life within communes" and a commune / municipality as a legal entity executing public activities on its own. Local autonomy became protected by law. The communal councils directly elected by the citizens became responsible to their constituents only. There was made a clear distinction between the central administration - subject to the central government - and the local one, subordinate to local authorities and elected by residents. Each council appoints a board and a mayor as its executive body, but it is within the power of the councils to recall both the mayor and the board, at any time, by a simple majority. The mayor and the board have limited power. Most important decisions are to be taken by the councils; internal organization is regulated by municipal charters freely established by the councils. The

¹⁴⁰ Regulski J. (2003), *Local Government Reform...*, p.98

administrative staff is appointed or contracted and can be dismissed only by the council's board, free from any influence of state officials.¹⁴¹

Poland had a tradition of village communities (*solectwa*) and village administrators (*soltys*) in rural areas and committees of neighborhood residents in cities. However, continuation of this tradition and the creation of a separate level of local government would have split communes and deprived them of the ability to perform functions for which they were established. The Local Government Act of 1990 was based on the notion that a commune was the primary unit of local government and as a legal entity exercised the function of a public authority. At the same time, they were authorized to create auxiliary units and to define their structure and responsibilities. These units were supposed to act in accordance with the communal decision and within the scope of communal authority. In 1993 communes were allowed to establish auxiliary units in various forms and in 1996 entire towns located within a commune's territory were allowed to be considered its auxiliary units.

Consequently, amendments to the Local Government Act contained regulations on the structure of village authorities: legal protection granted the village administrator the right to manage their property, although, by law, that right was vested in communes.¹⁴² Although communes were recognized as primary units of local government and granted the exclusive right of property ownership, *solectwa* and rural communities also laid claim to these rights. It was therefore decided that auxiliary units could use and manage commune's property but only in accordance with the terms and

¹⁴¹ Regulski J. (1999), *Building Democracy...* p. 13

¹⁴² Regulski J. (2003), *Local Government Reform...*, p.110

conditions defined in communal by-laws, which said that commune councils could not reduce the existing rights of those units. This meant that although communes had taken over national property, they were obliged to hand over some property to *solectwa*. The growing independence of *solectwa* led to an extension of their rights with respect to the communal property they used.¹⁴³ The development of village administration was an essential factor in building civil society.

Organization of communes in urban agglomeration was a specific issue. A uniform model was adopted for all communes under the Local Government Act, which did not take into account the differences among communes resulting from their size or location. Although Poland is a diverse country in many respects, it was not considered reasonable to define a different legal status for individual communes depending on factors, which, after all, evolve over time. Nevertheless, communes in urban agglomerations and big cities had a number of features that distinguished them from small or medium-sized rural jurisdictions. In urban agglomerations, there were various types of interrelations between cities. Therefore, it seemed necessary for the law to include regulations on obligatory associations of communes that would limit the independence of individual communes.¹⁴⁴ The bottom-up pressure reinforcing the need for further reforms forced the government to extend the powers of large cities and create public service city zones - a pilot program in, which large cities were delegated the responsibilities of counties, that solidified their concepts and reconfirmed the need to

¹⁴³ Regulski J. (2003), *Local Government Reform...*, p.123

¹⁴⁴ Regulski J. (2003), *Local Government Reform...*, p.117

restore counties. Consequentially, the Polish local government model ushered the subsequent build-up of upper tiers of local government.

Counties existed in Poland since medieval times and had become a permanent element of its administrative system. Their seats constituted a network of mid-sized towns that extended quite evenly over the entire country. Counties survived the partition of Poland in the eighteenth century, were reinstated after the restoration of sovereignty in 1918 and also functioned in “People’s Poland” until 1975, when they were abolished. The decision to dissolve counties not only violated Polish tradition but also brought chaos to the existing settlement pattern. Nearly 300 towns lost their function as local hubs of economic and cultural development; 49 district capitals took up this role. The latter grew considerably and took over available resources at the expense of towns, which were degraded to the level of municipalities. During the communal reform of 1990, it was agreed to redesign the intermediary level of administration and restore counties. However, the idea to restore counties was not universally supported. A number of opponents either opposed local government development completely or pointed to other ways of establishing it at upper levels.¹⁴⁵

In the following few years, laws were amended several times, although the principles on which they were based did not change. The subsidiarity principle, considered one of the foundations of a democratic system, was written into the preamble of the new Polish constitution of 1997, which introduced local governments at higher levels and restored the three-tiered system without infringing on communes, which had

¹⁴⁵ Regulski J. (2003), *Local Government Reform...*, p.66

demonstrated their effectiveness and usefulness to the society. Thus, the commune is to deal with matters that a group of individuals is not capable of handling. A county, as follows, acts as a subsidiary to the commune, as a province - to a county. The state, therefore, becomes a subsidiary to all other institutions and organizations that serve its citizens. This creates a kind of reverse hierarchy: superstructures are added to institutions in those places, where smaller organizations are not able to perform more complex tasks.¹⁴⁶ The subsidiarity principle denies hierarchical dependence: how can a “lower” unit be required to be subordinated to a “higher” one if the latter’s only function is to aid and support the former?

Counties were designed as the second tier of local government, supplementary to communes in functions that were beyond communes’ scale of management capacity. They could also negotiate agreements with the central administration to assume the latter’s responsibilities or delegate their responsibilities to communes through voluntary agreements. Counties enjoyed full autonomy in defining their organizational structures and means of delivering services, including:¹⁴⁷

- 1) management of secondary and special education schools;
- 2) management of hospitals and clinics;
- 3) sanitary and epidemiological inspection;
- 4) public order and safety;
- 5) maintenance of cultural, sports and recreational institutions;

¹⁴⁶ Regulski J. (2003), *Local Government Reform...*, p.205

¹⁴⁷ Regulski J. (1999), *Building Democracy....* p.55

- 6) construction and maintenance of county roads;
- 7) agriculture, forestry and land register;
- 8) water management and environmental protection;
- 9) flood and fire protection, natural disasters management;
- 10) employment assistance;
- 11) consumer rights protection;
- 12) maintenance of county facilities and public utilities.

From the very beginning, it was clear that restoration of local government would be a gradual process. In 1992 preparations for counties re-establishment began, but that intention could not be carried out according to the anticipated schedule because of a political deadlock. In 1997 — several years after the introduction of the pilot program — the details of the county restoration program were ready.¹⁴⁸ The Solidarity-led government initially submitted its county reinstatement law draft to the parliament in January 1993. At the same time, a study of the county map was conducted. Counties were to meet the criteria of consisting of no less than 5 communes and containing at least 10,000 residents in the county seat and 50,000 residents in the entire county. Communes were sent a series of surveys to reduce conflicts, as they were themselves to decide to which county they would prefer to belong.¹⁴⁹ But final decisions were made without consulting communes, and conflicts immediately arose. The most common decision was

¹⁴⁸ Regulski J. (2003), *Local Government Reform...*, p.56

¹⁴⁹ Regulski J. (2003), *Local Government Reform...*, p.67

that a given commune, for such varying reasons as traditional local links, more convenient transportation, or better schools, wanted to be in a different county than was indicated on the government's proposed map. The issue became complicated when such a transfer questioned the viability of a county, which could become too small and weak to be sustainable. Another complicated situation occurred when a commune wanted to belong to a county in a different province. In one exceptionally complex case, one commune wanted to join a county that it did not border and the commune separating the former commune from the county wanted to belong to another county.¹⁵⁰

Competition between towns that wanted to become county capitals was another type of conflict. In most cases, the government refused to divide a county into two, as it would lead to a dangerously fragmented administration. Although those conflicts were challenging, they provided positive evidence of strengthened local ties and patriotism. There was also an ongoing debate over counties' size and, accordingly, their number. Many experts argued that the number of counties should be drastically reduced describing 100 or 150 as optimal figures, in contrast, to about 300 proposed in 1993. They claimed only that such a number of counties could be effective without causing unnecessary overgrowth of the administration. On the other hand, local communities demanded an increased number of counties, arguing that government should be closer to people. This illustrates the perpetual dilemma of state organization — whether to favor small or large administrative units. In the case of the Polish reform, tradition prevailed. According to Polish practice, even the strongest economic arguments do not justify the

¹⁵⁰ Regulski J. (2003), *Local Government Reform...*, p.91

creation of a territorial structure against the will of local communities. In the end, 315 counties were created and 65 cities were granted the powers of county authorities.¹⁵¹

The number of cities that would attain county status was also the subject of controversy. Forty-four cities participated in such a pilot program launched in 1993. Afterwards, several other cities declared their interest in taking over county functions. During parliamentary discussions, parliamentarians representing cities that were losing their district capital status proposed that all those cities be granted the status of urban counties as compensation for their lost benefits. The parliament agreed, but allowed the councils of interested cities to refuse that status should they consider it unfavorable. Of the 49 former district capital cities, only three surrendered that status, leading to a sizeable increase in the number of urban counties and additional problems. For example, it meant that all rural communes surrounding a big city become a separate county without a capital of its own because the county office and the majority of county institutions are located in the city — not part of the county. It also meant residents of a rural county have to use services located in the city and operated by a different county. That model makes sense only in the case of big cities that are surrounded by smaller towns that can play the role of the county seat. In the case of cities, that model weakened the role and significance of rural counties to the clear detriment of their residents.¹⁵²

Restoration of counties was accompanied by the reorganization of districts that fell under the central government jurisdiction into self-governing provinces. In 1993 three versions of this reorganization were prepared, proposing 12, 17 and 25 provinces

¹⁵¹ Ibid.

¹⁵² Regulski J. (2003), *Local Government Reform...*, p.92

respectively. However, the parliament rejected the draft law on provinces after its first reading.¹⁵³ Its concept was a far-reaching vision of provinces that included the introduction of legislative powers, bi-cameral assemblies, and provincial governments. It drew upon the federal model of Germany.¹⁵⁴ However, the concept itself, especially the manner in which it was presented, had an unquestionably negative impact. The proposal put forward without a preceding informational campaign, raised fears and objections. In particular, references to the German model frightened Poles, who were long subjected to propaganda suggesting that Poland faced a German threat. Therefore, proposing a system patterned on the German model was interpreted as the first step towards subjecting Poles to domination by Germans and losing their newly recovered sovereignty. The ideas were firmly rejected by the public, and concerns over regionalization remained for several years.¹⁵⁵ The work on a model for provincial government began anew in 1995 but advanced quickly. By the mid-1997 experts from an independent Institute of Public Affairs, led by Jan Rokita, came up with a model of Poland as a unitary, yet decentralized, rather than a federal state with a three-tiered administrative system under the subsidiarity principle. At the provincial level, they proposed that local authorities become responsible for overall economic and social development, while the central administration be entrusted with supervisory and controlling functions. This formed the foundation of the reform implemented in 1998.¹⁵⁶

¹⁵³ Regulski J. (2003), *Local Government Reform...*, p.67

¹⁵⁴ Regulski J. (1999), *Building Democracy...*, p. 18

¹⁵⁵ Regulski J. (2003), *Local Government Reform...*, p.58

¹⁵⁶ Regulski J. (2003), *Local Government Reform...*, p.82

CHAPTER V

POLISH REFORMS AND THEIR MECHANISMS

In 1997 provinces constitutionally became legal entities that owned property and managed their own finances. Their autonomy is also protected in courts. Each province is responsible for preparing a long-term development strategy, for which to claim support from the central administration and the EU funds. Provinces were also recognized as associations of residents forming to exercise appropriate functions. But these functions differ essentially from the functions of commune and county authorities. The primary function of local authorities is to satisfy the direct needs of their residents. Provincial authorities, on the other hand, are responsible for overall and equitable economic and cultural development and must concentrate their activities on 1) promotion of general socio-economic strategy on development; 2) environmental protection and management of natural resources; 3) management of public services of provincial significance, such as higher education, specialized healthcare, and some cultural institutions; 4) development of regional infrastructure, including management of roads and regional transportation and communication networks.¹⁵⁷ Functions relating to the management of the province were delegated to provincial councils and their chairs (*marszałek*). A governor is to defend state's interests and to supervise the activities of provincial and local authorities. Governors were granted only controlling powers over the management and development of their provinces. They were to supervise the operation of all units of the state

¹⁵⁷ Regulski J. (2003), *Local Government Reform...*, p.114

administration that ensure that the laws are observed and that the state's duties, pertaining to building inspection, environmental control, health and sanitary inspection, etc. are exercised.¹⁵⁸

The question of the provincial division caused fierce debates. Experts had agreed that in order to exercise their responsibilities reasonably well, provinces had to be appropriately large and endowed with proper capacity. For that reason, they proposed reducing their number from seventeen that had existed prior to the reform of 1975 to ten or twelve, at the most. The government followed the same argument and presented the parliament with a map of twelve provinces. Naturally, regional groups and administrators of the cities that were to lose their regional capital's status protested. Opposition parties took advantage of those protests and assumed the role of defenders of those cities, demanding the restoration of seventeen provinces.¹⁵⁹ The fight to create additional provinces took on various forms including petitions, street marches, blockage of national highways and even terrorist threats. District administration employees became especially active as they feared either losing their jobs or, in the best-case scenario, being moved into positions with less pay, status, and influence. It is obvious that decentralization limits the influence of bureaucracy by decreasing the number of its personnel and access to budgetary resources. One of the goals of the reforms was to improve administrative efficiency, reduce its cost and thereby reduce employment of bureaucrats. Society expects the number of administrative officers to shrink; if their number is not reduced, the reform is criticized. But layoffs cause increased unemployment and result in

¹⁵⁸ Regulski J. (2003), *Local Government Reform...*, p.89

¹⁵⁹ Regulski J. (2003), *Local Government Reform...*, p.90

accusations that the reform contradicts the public interest. Thus, the only solution is to implement reform in this sphere in an evolutionary manner to allow the general public and individual citizens to get slowly accustomed to new conditions.¹⁶⁰

However, systemic and institutional transformations by nature, although evolutionary, are radical, comprehensive, and irreversible. Efforts should be focused on adjusting to the existing changes and not on slowing them down or attempting to restore former models to protect individual interests. Employees of the central administration branches have resisted the reforms the most, although not in the same spectacular way. To pacify them, the government guaranteed their short-term six-month employment and initiated a special assistance program to help those who would likely to encounter problems in the future. However, during the parliamentary debate on the reform, the protests were so strong that they were effectively used by the parliamentary opposition to block it.¹⁶¹ The president joined the dispute, traveling to cities that were to lose their status. Local elite groups launched various protests and lobbied intensely for their respective cities. The counteractions taken by the ruling coalition were too weak to counterbalance the opposition's campaign. Consequently, the president used his constitutional veto power over the law on the administrative division of the country. The coalition did not have a sufficient majority of votes in parliament to override the veto and was forced to start the entire legislative process again. In order to arrive at a compromise, the authority of provincial governments was limited and the supervisory rights of provincial governors, as representatives of the central government appointed by the

¹⁶⁰ Regulski J. (2003), *Local Government Reform...*, p.96

¹⁶¹ Regulski J. (1999), *Building Democracy...*, p.50

prime minister, were increased. Eventually, the division into sixteen provinces was accepted.

The complexity of the situation has to be emphasized. At the time, the institutions, whose rights and authority were being defined, did not yet exist. The political groups that would stand by these institutions had not yet been formed. Thus, there were no lobbying groups to represent the interests of future counties and provinces. Until 1999, only communal/municipal governments existed, but they were not particularly interested in creating strong counties or provinces because they were afraid of their own rights being curtailed by these new entities. Some communal leaders directly declared that it would be better for the central administration to maintain some of its authority instead of handing it over to the counties, as this might prove detrimental to the communal interests. So, in the end, the fight for decentralization and the strong local government was led by very few politicians, who understood the significance of its long-term effects. Reformist ministers were in an especially difficult position: as politicians, they had to implement the reform, but at the same time, as administrators, they had to limit their own influence and were under constant pressure from their administrative staff, which was interested in blocking the progress of the reform. Thus, they found themselves in a vicious circle of contradictory interests.¹⁶²

Over the 1990s the state structures were transformed significantly and the establishment of local government was acknowledged as the sound success. However, the state structures and binding laws inherited from an authoritarian and centralized state

¹⁶² Regulski J. (1999), *Building Democracy...*, p.51

still forced the central government and its administration to deal with too many details and problems. But the main function of a democratic state is not to manage, but only to create stable and secure conditions for people, companies and citizens' groups to be active, and to support these activities so they contribute to the development of the country. It is not the role of the state to replace activities of other independent entities. The state should limit its functions and deal only with what is necessary. Everything else ought to be delegated to other institutions, which can manage such tasks more effectively.¹⁶³ In 1997 the coalition government of Solidarity Electoral Action and the Freedom Union decided to implement a few key reforms that would include reforming: public administration, public finances, education, health care, social insurance, the welfare system, police and public security, and the judicial system.¹⁶⁴ During 1990s many significant changes had been achieved in all of the above fields. However, these changes were the result of modifications of the old system and old institutions but the state organization still included so many internal contradictions and incongruities that a sustained development was impossible. As a result, use of public resources was unproductive. It has become clear that the series of small amendments and corrections originally enacted were only partially effective and that the time had come to undertake sweeping reforms of the state system.

The majority of these reforms took effect on January 1, 1999. All of them were interconnected and realized almost simultaneously, which proved to be a great challenge. The main obstacles were: excessive centralization, overbuilt bureaucracy, the lack of

¹⁶³ Regulski J. (1999), *Building Democracy...*, p.22

¹⁶⁴ Regulski J. (1999), *Building Democracy...*, p.19

transparency in public finances and insufficient accountability on the part of the central administration. The purpose of reforms was to transform the system to comply with the principles of rule of law, subsidiarity, effectiveness, transparency, accountability, flexibility and openness to further evolution.¹⁶⁵ The situation was favorable to their implementation, as self-governing communes had educated a number of local politicians and administrators, who called for further devolution of power. At the same time, the visible achievements of local governments confirmed the need for decentralization and made the process trustworthy. Reorganization of public administration was a particularly important concern in that set of reforms.¹⁶⁶ The public administration reform was not a goal in itself. Rather, the administration's structure, organization and operational procedures reflected its objectives and the nature of functions it was to exercise. It was concluded that local government reform was a foundation upon which transformation in other areas could be made possible. In order to relegate state functions, it was first necessary to establish institutions capable of taking over them. The reform was thus intended to accomplish several primary objectives. Firstly, in the political sphere, it was supposed to bring decision-making bodies closer to people and enable citizen participation in government processes. Secondly, the reform was concerned with improving the efficiency of public administration. Communes' performance had demonstrated that local government administration was more effective than the central

¹⁶⁵ Regulski J. (1999), *Building Democracy...*, p.22

¹⁶⁶ Regulski J. (2003), *Local Government Reform...*, p.84

administration. Finally, the establishment of counties and provinces would facilitate implementation of reform in other sectors.¹⁶⁷

The educational system was created by the authoritarian state to maintain full control over the upbringing of young people and to limit the role of the family as an institution politically dubious and often antagonistic towards the state. So, the education reform had a complex character and was directly connected to the public administration reform. The educational system reform included: 1) changes in organization and in the supervisory system, 2) regulations concerning the educational process, and 3) regulations concerning work conditions and the professional status of teachers. The reform strove to make the system comprehensible, to introduce an unambiguous division of duties and responsibilities and to significantly increase citizens' participation in decision-making. At the same time, the new system was designed to ensure equal access to schools for all citizens and to set equal quality standards of education throughout the country.¹⁶⁸

The first principle entailed the full separation of institutions that managed schools from institutions that supervised teachers and educators. The entities of the territorial government (communes and counties) took over schools, except for those owned and managed by various non-governmental institutions, including churches, associations and private individuals. However, the majority of educational tasks were given to local governments, which have the right to appoint educational boards as public bodies that allow local communities to have an influence over educational policy. All supervisory functions of teachers and educators, however, remain in the hands of state

¹⁶⁷ Regulski J. (2003), *Local Government Reform...*, p.88

¹⁶⁸ Regulski J. (1999), *Building Democracy...*, p.35

administration.¹⁶⁹ Both primary and secondary schools became the responsibility of the communes/municipalities, and high schools are managed by counties; those local governments are responsible for providing free of charge education to all children until the age of 18. Schools might belong to different owners, but all must be guaranteed equal rights under the law, which required a basic change in the system of financing education. In the Soviet system state ownership was privileged over private ownership and, in many cases, state institutions maintained their privileged position. In order to alter this situation an educational voucher program was implemented, in which public authorities allocated a certain amount of money for the education of each child. This money was handed over to the school, where parents decided to send their children so that the money followed them. All schools, whether public or private, have the same rights, and parents have the freedom to choose a school for their children without extra cost.¹⁷⁰

The health care system required a complete overhaul. The old system was established on the premise that healthcare should be completely free of charge and financed by the state budget. In practice, this has proved to be impossible, and the patients were forced to assume larger and larger share of the healthcare cost. Moreover, it resulted in huge, totally unjustified overhead and corruption, while salaries for the medical staff remained very low. The health care system also could no longer be sustained; decreasing access to and low quality of medical services made citizens feel that their health was not well cared for. The main reasons for that situation included: 1) the lack of adequate financing for many years; 2) centralization and bureaucratic

¹⁶⁹ Regulski J. (1999), *Building Democracy...*, p.36

¹⁷⁰ Regulski J. (1999), *Building Democracy...*, p.38

management; 3) the lack of financial and other incentives to improve efficiency; 4) the growing “gray market” as a result of the widening disparity between increasing needs for medical services and their availability within the system; 5) low salaries of medical personnel that did not fairly compensate their work. Changing the method of financing of the entire health care system was selected as a key factor in transforming the system. This reform entailed the establishment of separate institutions financing medical care for all insured. The result was a separation of the institutions that financed health care and bought services for their clients from hospitals and other healthcare providers. That was a departure from the old system, in which hospitals and other medical services facilities were directly financed from the state budget and were not particularly motivated to increase their efficiency and effectiveness. At the same time, the state gave up its monopoly in the ownership of hospitals and other healthcare facilities. Only teaching hospitals with close ties to universities remain in the hands of the state. All other healthcare institutions were handed over to local authorities. Founding new private hospitals and clinics, as well as private medical practices, was allowed.¹⁷¹

The sphere of public finances was a special case. A thorough reform of the public finance system was necessary as the central bureaucracy still had too much influence on the disposal of resources and was appropriating funds outside of public and parliamentary control. The public finance management was too opaque and hard to grasp for the general public. The reforms in this domain were initiated in 1990 when communal / municipal budgets were separated from the general state budget. However, the level of

¹⁷¹ Regulski J. (1999), *Building Democracy...*, p.39

decentralization of public finances was generally judged to be inadequate. This problem had worsened because communes were receiving more and more tasks to perform but were not getting enough additional financial resources to implement their objectives.¹⁷² Regardless of the political affiliation of subsequent governments, the ministry of finance was firmly opposed to all major attempts to decentralize public finances. The most obvious reason for such a position was the fact that the ministry's primary concern was to balance the budget in a situation of permanent financial shortages, so, when possible, the ministry tried to economize. And it was relatively easy to cut subventions and subsidies for local government. Furthermore, such an approach stemmed from a different vision of the state, from a deep conviction that it was possible to overcome the difficulties of transition only through central administration of funds. This had clear associations with the past - it was also believed then that development could be accomplished only through central planning.¹⁷³

The old pension system posed a serious threat of destabilization for the entire administrative system because it is closely interconnected with the system of public finance. It was based on the "generational contract", where currently employed paid pension premiums, which were then channeled to pay benefits to retirees. When workers themselves retire, their children's premiums would be used as payment to them. The problems began when the number of unemployed sharply increased and, at the same time, the society aged, so a crisis resulted in the system, as premiums did not cover the pension benefits payments. In the past, when the Polish population was younger,

¹⁷² Regulski J. (1999), *Building Democracy...*, p.29

¹⁷³ Regulski J. (2003), *Local Government Reform...*, p.221

revenues from social security payments greatly exceeded pension expenses. At the time, the authorities used the surpluses to cover current budgetary expenses. The Social Security Office completely monopolized this domain but functioned as a branch of the state administration. As a result, no capital for future investment was created. Nowadays, because of demographic changes, it was quite apparent that out-payments exceeded the revenues of the system and that this imbalance had to be equalized by the state budget.¹⁷⁴ Most Poles felt that the old pension system was unjust and ambiguous and that it did not ensure social security and the promise of decent income in old age. So, the decentralization program of social security was based on assumption that the local authorities knew better how to effectively help their residents.¹⁷⁵

A reform of the judicial system was required because of the need to adapt it to the European standards and international conventions that had been signed by Poland. This reform included a structural reform of courts and county attorney's offices in order to adapt them to the new administrative division of the country; changes in sharing authority according to jurisdiction, which also included the creation of municipal courts; changes of the criminal and penal procedural codes; a reform of the penitential system.¹⁷⁶ Finally, the police and the entire public security system had to be completely changed, given that the past role of the police force was to control citizens rather than protect them. The reform of the police system was also implemented to increase its effectiveness

¹⁷⁴ Regulski J. (1999), *Building Democracy...*, p.20

¹⁷⁵ Regulski J. (1999), *Building Democracy...*, p.42

¹⁷⁶ Regulski J. (1999), *Building Democracy...*, p.21

by establishing close cooperation between the police and the public, possible only when there is mutual trust between members of a community and its police force. The dramatic rise of, especially organized, crime had forced the government to undertake intensive activities in this field. Although the uniform structure of the police as a state organization was preserved, the participation of local governments in supervising the activity of local police units was increased: the head of a county administration has a say over appointing a county police chief and the right to monitor the chiefs work. In addition, a larger number of police officers was transferred to the field, while reducing the number of people working in offices and police headquarters. New laws regulating the actions of authorities in crisis situations also were introduced. They clearly defined the types of activities to be engaged in at the time of natural disasters. Representatives of local governments received almost dictatorial rights but held the full responsibility for solving the crisis. They have the right to demand assistance and order actions from all state institutions, including the police and the army.¹⁷⁷

The problems of decentralization and proper redefinition of relations between the central and local governments in a country undergoing systemic transformation are quite different from problems encountered in a stable country. The goal in the former is not to improve the existing structures, but to establish completely new relations between institutions, which were absent only a short while ago. In the authoritarian system, there was no place for democratic local authority. That is why in speaking of local authorities one must keep in mind that they may be considered in the context of a short period of

¹⁷⁷ Regulski J. (1999), *Building Democracy...*, p.45

time full of substantial changes. A democratic state has to be construed as a common good of all citizens and its function is not to manage but to create a stable and safe framework for unconstrained activity by individuals, enterprises or citizens' groups. Development is not a result of the activity of the state and its administration, but an aggregate outcome of the activities of individuals and organizations. The state may facilitate or hamper this development; it may contribute to the multiplication or waste of results achieved. But it certainly cannot substitute the activities of independent entities. The experiences of past decades clearly demonstrate the effects of such substitution.¹⁷⁸

The purpose of restructuring Poland's administrative system was to adjust its institutional and legal frameworks to new responsibilities of a civil state under the rule of law. A Soviet-style authoritarian system was organized in a way so as to control public affairs even if the public opposed it. The role of the state understood in this way contradicts the subsidiarity principle. Poland has not yet overcome the consequences of monopolized public life, economy and administration, although considerable progress has been made. In 1989 Poles inherited a functional state — its institutions were active, people were working and there were strong interest groups. Therefore, the problem was how to change the system and how to overcome possible resistance. In order to understand what happened in Poland over in the 1990s, it is necessary to look at these diverse barriers and consider what forces supported changes and what wanted to hamper them. Since Poland inherited a system designed for other functions, it was, therefore, necessary to transform it thoroughly. The previous structures were, however, strong and

¹⁷⁸ Regulski J. (2003), *Local Government Reform...*, p.217

hard to reorganize. Nobody wants to give away authority and power; no one wants to accept changes that may jeopardize one's position.¹⁷⁹

A systemic reform cannot be implemented with the stroke of a pen; the view that a reform means the adoption of new laws is completely erroneous. Certainly, new laws are necessary, but the implementation of a reform begins only when those laws take effect. Generally, real difficulties appear only at that point. Experience proves that it is easier to change the law than to transform institutions, and most difficult changes are in public mentality and habits.

To change a law, it suffices to persuade an adequate number of parliamentarians; in order to transform institutions (*patterns of behavior*), it is necessary to break the resistance of thousands of directors and managers. For the reform to achieve its assumed objectives, it is necessary to change the mentality of hundreds of thousands of public servants and millions of citizens.¹⁸⁰ For a reform to succeed, four concurrent elements are needed: 1) political will of the leadership, 2) public support (consent, at least), 3) expertise and 4) trained personnel capable to implement the reform. In 1989-1990 these four elements coincided. At that time, political leaders had the political will to carry out reforms, even though the leaders were not fully aware of the nature of local government, its scale and the effects of the reform. But because there was a group of experts working on it since 1981, which enjoyed the trust of the leadership, actions were swiftly taken. At that time, there was huge public support for reforms, pressure to change the whole system of the state, even though, people didn't quite know what had to be changed and

¹⁷⁹ Regulski J. (2003), *Local Government Reform...*, p.217

¹⁸⁰ Regulski J. (2003), *Local Government Reform...*, p.218

how. Finally, there were many mobilized people who enthusiastically committed to the reform implementation process. Expert knowledge enabled the preparation and adoption of laws that changed the system radically enough to prevent turning back to the old system. That is why all the energy was used to implement the new system, not to defend the old one.¹⁸¹

However, despite significant public support for reforms, the government did not use it to a sufficient extent and did not develop appropriate dialogue and cooperation with the society. It simply did not realize the importance of public support for and understanding of the reform. No necessary efforts were made to explain the need for reform, to inform the public of what the government intended, to notify people of difficulties and indicate future benefits. The general enthusiasm in 1990 made up for the absence of such an information campaign. In 1998 this absence caused serious problems for the government and hard-to-anticipate political consequences. These experiences led to a fundamental conclusion: probably no major reform would be implemented if the government had followed¹ the advice of those who favored slow, cautious and gradual changes. In the whole period, mainly during intensified reformatory efforts, many individuals argued that local communities were not prepared and had first to be educated to accept new conditions. It was evident that bureaucracy was resistant to reforms and either sought to hold back changes in the name of interests of its particular groups or usurped some part of state property. Such groups were numerous and diverse but there

¹⁸¹ Regulski J. (2003), *Local Government Reform...*, p.218

was one common and obvious motive of resistance — struggle over resources and influence.¹⁸²

Decentralization meant limitation on state officials' power, reduction of employment and relinquishment of state of control over finances and the economy. Institutional changes required changes in work habits, forced employees to acquire new skills and threatened their job security if they could not measure up to new standards. Every time local authorities were strengthened, a fragment of power was either directly or potentially taken away from the central government. The authoritarian state was organized in hierarchical pyramids subordinate to individual ministries. This ministerial organization of administration did not correspond to the new needs but was deeply rooted in the mentality and was consistent with the interests of bureaucracy. The establishment of communes was the first breach in that structure. As a result, communes were bound to become targets of concentrated attack. Counteraction was triggered by resistance from the central administration and politicians' fear of losing their power. There was also constant defiance of deregulation, which deprived government officials of their power to grant permits and licenses.¹⁸³

With jobs and property transferred from the central administration to local governments, a boundary was crossed, beyond which there was no return to the previous situation. The radicalism of the changes largely undermined all attempts at opposition: everyone, including those who were against the changes, concentrated on adjustment to a new system. The situation was different in areas, in which such critical changes were not

¹⁸² Regulski J. (2003), *Local Government Reform...*, p.220

¹⁸³ Regulski J. (2003), *Local Government Reform...*, p.220

one-time occurrences but evolutionary processes; that was the case with finances. Because the early changes were not deep enough, their opponents made efforts to restore the original model, as institutional structures proved extremely inert. Hence, decentralization progressed much more slowly in spheres, where changes were to occur evolutionarily. This creates an important premise for evaluation of reforms in Poland and the manner, in which they were implemented: it is a mistake to perceive it only as a technical procedure. Transformation of the whole administrative system, including restoration of local government, is a highly political, and thus, controversial matter.¹⁸⁴

An issue emerged with the establishment of regional (provincial) authorities in regard to the approaching Poland's membership in the European Union (which occurred on May 1, 2004). Provincial governments were responsible for the economic development of their regions, and EU funds played an important role in their actions. But those funds were offered according to six major strategies linked to crucial problems in development. For each area, a ministry was responsible. Therefore, funds were transferred through those ministries and, consequently, sectoral management got strengthened as regional authorities were forced to negotiate particular strategies with several sectoral structures of central agencies that always opposed decentralization. Therefore, the way in which the EU funds were managed supported centralization, even though the EU expected and encouraged decentralization in candidate countries.¹⁸⁵

Many politicians were also against decentralization. They had been raised in the authoritarian system and often were just beginning to learn how to function in democratic

¹⁸⁴ Regulski J. (2003), *Local Government Reform...*, p.216

¹⁸⁵ Regulski J. (2003), *Local Government Reform...*, p.222

and decentralized structures. Many thought it was easier to rule by decree than through negotiations with autonomous local bodies. Also, many political parties, despite their official declarations, were not prepared to govern a decentralized state and hindered the transformation process. Limitation on the power of the central government also meant limitation on the power of ruling parties. But the state can be restructured only by the ruling party. Thus, in the name of achieving strategic objectives, it would have to make some difficult decisions and sacrifice its own interests. This line of action is obvious in stable systems where a party's success depends on its long-term strategy. But transitional countries lack this stability, as their political scene is in flux. Parties are undergoing reforms themselves; they split and merge. It is therefore hard to expect them to carry out long-term policies if it is not clear whether the existing party arrangement will last until the next election.¹⁸⁶

Departing from the state model organized according to economic sectors was not a simple task. The sectoral mentality prevailed in domestic politics. Coalitions of parties, which ruled Poland since 1989, simply divided up individual sectors. It was understandable that partners strove to strengthen their respective ministries and opposed decentralization, which would reduce their influence. Only decisions by the central government or its legislative initiatives could determine the path to decentralization. But every minister was also head of one's ministry responsible for the performance of the entire sector, so, the reformers were in an underprivileged position. By supporting decentralization, the ministers' own authorities and influence were reduced. That forced ministers to act not only against their own long-term interests but also against the interest

¹⁸⁶ Regulski J. (2003), *Local Government Reform...*, p.221

of those who reported to them. One must possess a deep sense of duty and be resistant to all pressures in order to support decentralization in such conditions.¹⁸⁷

It was also evident that heads of various state enterprises would oppose communization. A change in ownership, or rather appointment of an owner after a period of anonymous state ownership, carried some serious challenges. Of state-owned enterprises, especially ones receiving subsidies from the central budget, few were really interested in working efficiently. Thus, city transportation was in principle a money-losing service. Mismanagement was easy to cover up and mend with central subsidies. Meanwhile, local authorities as new owners had to decide where to find money to cover deficits. The need for restructuring and improving efficiency was obvious. And that threatened managers of those enterprises, who therefore saw selfish reasons to oppose it.¹⁸⁸ No transformation is easy, and every organization tries to avoid it, which leads to a cautionary conclusion: the number of opponents to decentralization is substantial; it's understandable that reforms progressed slowly and encountered difficulties. One may even wonder why decentralization processes began at all.

Trade unions played an important role in Poland's political life, especially given the role of Solidarity in overthrowing the old system. However, trade unions, by nature, are against local government and, thus, against decentralization. Trade unions are organized according to economic sectors. The development of local government results in a social structure transformation unfavorable to the power and importance of trade unions. A comparison of electoral programs clearly showed that Solidarity was the least

¹⁸⁷ Regulski J. (2003), *Local Government Reform...*, p.222

¹⁸⁸ Regulski J. (2003), *Local Government Reform...*, p.222

interested in supporting local government. Other unions also reacted negatively to the communalization of enterprises or decentralization of functions and were always averse to local governments. The political power of a trade union relies primarily on employees of big enterprises. If employees are dispersed among many entities, it is much harder for those employees to form a political base. To a trade union, the most favorable situation exists when decisions are centralized at the national level. Then the trade union's headquarters may negotiate national agreements with the central administration. Organizers of strikes and protests always demand a meeting with the relevant minister, and they have a good reason to do so, as both trade unions and the structure of the state have been very much centralized. When functions are decentralized, trade unions' headquarters lose their adversaries. The burden of negotiations shifts to lower union levels and the national authorities of the union become less important. Thus, there is a conflict of interests between trade unions and local governments: as administration becomes decentralized, trade unions are forced to seek new forms of organization and activity.¹⁸⁹

The development of local governance was concurrent with transformations in other areas of public life. Parliament adopted and amended impressive numbers of laws. People got used to more and more alterations: as laws and institutions changed, public mentalities and habits evolved. Laws create only a framework, within which people function. But in order to adjust to this framework, they have to accept it, and for this, they first have to understand it and realize that it makes sense. These three stages may be distinguished: understanding, acceptance, and compliance with the law. When people do

¹⁸⁹ Regulski J. (2003), *Local Government Reform...*, p.223

not understand a new law, there is no point in debating the reform, and the reform itself is doomed to failure. People may understand the law, but it does not mean they would accept it. It may violate their habits or interests to a degree that will cause conscious rejection or boycott of the law by the public. Finally, people may accept the law, but various circumstances may prevent its application. These may happen when compliance with the law requires excessive cost and effort. These barriers may also be associated with habits or customs (everyone understands and accepts speed limits for motor vehicles but few drivers actually observe them). This is particularly important during the time of systemic transformations when many factors are in flux simultaneously. When legislative changes are too fast, they are not well understood or accepted, let alone complied with. When they are made too slowly, they impede progress and lead to public's frustration. People feel restrained in their need to act. Finding appropriate relations between the pace of reforms in various areas determines their success.¹⁹⁰

Vast social, political or economic systems can never become completely stable; they must continually develop in order to survive. When everybody accepts the existing conditions, there is no need to change them and no incentive for development exists. This refers also to the administrative system of a country, especially to the local government system. Local government's structure and a mode of its operation directly reflect people's consciousness, their traditions and skills, role models, the state of the economy, available technologies, the natural environment and many other factors. They are all continuously evolving; hence, the local government system also has to evolve. Every reform must be therefore treated as a link in the chain of systemic transformations, as

¹⁹⁰ Regulski J. (2003), *Local Government Reform...*, p.224

there is no “final” systemic model; rather, it evolves along with the development of the country. There will be both new needs and more possibilities of satisfying these needs. The legislators only create a framework for people to fill in with activity, as the functioning of the state depends on people’s behavior. Laws are made in anticipation of behavior, but it is not possible to foresee this behavior perfectly or anticipate correctly all circumstances that will accompany the implementation of reforms.¹⁹¹

Thus, when the local government reform was launched in 1990, the vast majority of society, including many political leaders, did not quite realize what these new communes were. But new council members, city and town mayors and various active local groups became the driving force that enabled not only the establishment of communes but also their strengthening and development. The reform moved beyond a point of no return to the old system. As development progressed, new allies appeared. A self-supporting mechanism was created. The more successful communes became, the greater the number of friendly individuals and institutions were ready to support them. Thus, the development of local government is a historical process. Decentralization was a crucial element of that processes, which brought Poland closer to models developed by Western democracies. The difference is that in Poland this process was accelerated, as it had been blocked for many decades. And, from the point of view of accelerating the process, the administrative reforms in Poland should be considered a success.¹⁹² Lessons learned by Western countries clearly indicate that decentralization and institutional

¹⁹¹ Regulski J. (2003), *Local Government Reform...*, p.225

¹⁹² Regulski J. (1999), *Building Democracy...*, p.52

development processes are irreversible.¹⁹³ The only problem is whether reforms will progress more or less harmoniously with the participation of local and regional administrations and the central administration, or in a continuous confrontation between reformist and reactionary forces.

It is extremely difficult to realize initial plans to their full extent. Contradictions and conflicts force departure from initial proposals, and the final shape of a reform is ultimately the result of both compromises and resistance met during the implementation process. The basic contradictions and conflicts could be divided into two types. The first includes political conflicts, the second - anti-reform activities of interest groups that feel threatened by it. Separating these two types is not an easy task. Interest groups always had strong influence on behavior and activities of different politicians, and they in turn have often looked for support among groups that were afraid of change.¹⁹⁴ While in the past the main activity of the government consisted of issuing orders, now it also includes bargaining process. When the principle of central planning was dominant in the past, this type of political activity scarcely existed. Nowadays, however, regional politics are based on negotiation and joint agreements concerning common aims and objectives among different bodies, which are to a great extent independent from one another. Thus, it became necessary to develop new forms of cooperation, conflict resolution and joint financing of common projects by institutions that remain independent of each other. The

¹⁹³ Regulski J. (2003), *Local Government Reform...*, p.226

¹⁹⁴ Regulski J. (1999), *Building Democracy...*, p.47

new system is based on mutual respect for diverse objectives and priorities represented by different autonomous bodies.¹⁹⁵

Changes in social behavior have been taking place at the same time as the state transformation process. Ideally, both processes occur in tandem, so that the gap between the processes of state's restructuring and the society's perception of those processes is not far off. The commercialization of public services is one case, in which there is always a social conflict. Under the Soviet system, the state propaganda told people that each citizen was entitled to use social services free of charge, or with minimal cost; society still takes social services in domains such as healthcare, social security, education and even housing for granted. It is very difficult for many people to understand that social services are to be fully paid for, whether directly or through taxation. However, the effectiveness of the reform depends on this basic premise.¹⁹⁶ Also, the reform requires local government personnel to become truly professional. The positive effects of the reform would not be achieved without its purposeful, consistent and effective work. One of the main assumptions of the reform was that when the responsibilities for each public domain are clearly defined, the requirements concerning efficiency and effectiveness at work would also be raised. As a result, the need to upgrade professional skills and qualifications would follow. All these problems require constant and careful monitoring of reform's implementation process. At the same time, it would also demand that many activities be initiated, in order to adapt the state system to newly emerging conditions.

¹⁹⁵ Regulski J. (1999), *Building Democracy...*, p.53

¹⁹⁶ Regulski J. (1999), *Building Democracy...*, p.53

The process of social transformation is continuous; just as the development of technology and organizational know-how.¹⁹⁷

The establishment of autonomous local and regional public authorities not directly subordinate to the central government has fundamentally changed the Polish state. Local governments received their own functions and responsibilities not as consequence of deconcentration of the central government's powers, but as a result of constitutionally guaranteed decentralization. The government had a limited capacity to issue instructions to them. Cooperation among various entities of public administration is based not on hierarchical dependency, but rather on negotiation and joint agreement on objectives and the best ways to achieve them. The years 1990-1997 were the first stage of strengthening of the restored self-governance at the local level. During that time communes proved that their existence made sense and assumed a permanent place both in the administrative system of the country and in public awareness. They also confirmed their key role in dismantling old centralized structures and became a crucial political and social force that stimulated continuation of reforms. It is precisely those years that laid the foundation for the deep systemic reforms implemented in 1998-1999. Reconstruction of two higher tiers of local government at the county and provincial levels was possible only because communes had been so successful earlier. That success produced knowledge and experience and enabled the education of local politicians and officials.¹⁹⁸

But this is, obviously, not the end of reforms. Currently, despite profound changes, Poland still has a model of central administration that is not well enough

¹⁹⁷ Regulski J. (1999), *Building Democracy...*, p.54

¹⁹⁸ Regulski J. (2003), *Local Government Reform...*, p.227

adjusted to the needs of a decentralized state, in which the government and its administration do not manage but rather implement policies in various areas of public life. There should be the third stage in the restructuring of the state: it is necessary to reform the central administration and the way it works. This is necessary for the final departure from the past practices, despite obvious political risks that these changes will unavoidably undermine some interests of the very politicians and central administrators, who are to carry them out.¹⁹⁹ The sectoral management of the economy, on which the previous system was based, is one of the most difficult barriers to overcome in modernizing the state. The central bureaucracy wants to maintain this type of economic management. On the other hand, decentralization attaches more importance to regional economic management. This presents an additional argument in favor of reforming the central administration. It is also necessary to ensure public support, without which local government loses its meaning and ceases to differ from the nominated administration. Much remains to be done in the areas of labor and public service organization. It is necessary to improve methods of cooperation with society and work out new methods for economic programming. There is a lot of work ahead and the improvement process would never be complete. But much has already been achieved. Local government exists; it is operational in developing and transforming the state at the same time.²⁰⁰

¹⁹⁹ Regulski J. (2003), *Local Government Reform...*, p.97

²⁰⁰ Regulski J. (2003), *Local Government Reform...*, p.227

CONCLUSION

Given today's political climate, Ukraine faces the particularly critical issue of improving its territorial organization. In many ways, its most speedy resolution will impact the effective development of the state, the strengthening of territorial integration and national unity, and the real rise in the standard of living of the Ukrainian people. An adequate system of public administration, as well as an optimal system of territorial organization of power via administrative reform must also promote the resolution of such mainstream issues as the creation of a market economy and a welfare state, building of a democratic society and of a constitutional nation, and formation of a mature civil society.

The system of organizing and managing of public administration is closely linked to the territorial organization of the state, and there is a close interrelation and interaction between the two. For this reason, the administrative division of Ukraine that came about in the 1930s does not provide an opportunity to create territorial communities that exhibit a sufficient scope of material and financial resources or a developed public infrastructure.

Bureaucratization and excessive centralization of public administration and its isolation from society hold back the process of carrying out socioeconomic transformations. Recent poorly coordinated attempts employed to restructure executive authority and adapt the existing system of administration to the needs of the transitional period were not very successful. Today, administrative reform must be viewed not as the latest rearrangement of staff and establishments, but as a conceptually sound transition to a new "philosophy of administration" that requires carrying out not simply individual

changes, but systematically renewing the essence of executive branch agencies. Broad-scale administrative reform calls for the fundamental transformation of today's ineffective system of state administration, converting it from a hindrance to economic and social processes into one of the determining factors for their acceleration.

Reform must have a strong theoretical and a tested practical model for the radical regeneration of all primary elements, institutions, and aspects of the state administration system. The experience of countries where administrative reform has been successfully achieved and is operating effectively, Poland's first of all, (but also South Africa and, Spain, notwithstanding its current grappling with the secessionist movement in Catalonia, and some others) must be studied and understood with due regard for the Ukrainian realities. The transformation of Ukraine from a centralized into a decentralized unitary state—and perhaps, down the road, even into a federated state—is not an end in itself, but a necessary condition for the self-realization of the potential of its regions, of each territorial commune, and of each and every Ukrainian citizen, for the effective development of local and regional self-government.

The principal goal of a deliberate and effective state regional policy should be an improvement in the public's standard of living, upholding of common social and economic standards, and improvement of environmental conditions based on the creation of institutional atmosphere favorable to the effective utilization of natural as well as the labor resources and scientific and technical capacity of regions, and due regard for their peculiar historical and cultural characteristics.

To ensure the success of such a reform, it will be necessary to introduce a public

service administration reform of state services and local self-government agencies and to review the practice of offering substandard labor compensation and pension benefits for those who are employed in the state and local government agencies. In order to guarantee the rights of employees at various institutions, government offices, and organizations that offer communal public services, they must be granted the status of public service officers. To lay foundations for civil society in rural areas, it will be necessary to foster the creation of agencies of public self-organization and mass media and to facilitate a "third sector" of NGOs and other not-for-profit organization.

Openness, transparency, and public support are crucially important conditions for ensuring the success of administrative reform that touches upon the interest of the country's entire population. A widespread information campaign must be launched regarding the need for administrative reform and of local government reform, as was successfully done, for example, by Polish government.²⁰¹ The Association of Ukraine's Cities and Communes consistently advances its own concept, advocating the creation of districts with a town/city as a municipal center with the adjacent countryside. The design has come from the existing circumstances, in which cities provide the surrounding villages with employment opportunities and services, and where the larger the city, the greater the radius of service territory. Among other things, such an approach will aid villages in surviving economically under conditions where agriculture is transitioning to new practices and the number of unemployed workers continues to increase. Combining suburban villages with municipal centers will also provide their residents with improved

²⁰¹ Łomoćkuý, Ołeksandr. Ukraïna: reforma u płanax «Bepxiv» // Bùleteń «Partnerı» - 2006. -Nº 11 (87) - <http://www.cpp.org.ua/partners/142/463>

access to services available there. Moreover, creating the proposed districts will not necessitate the redrawing of the existing provincial boundaries.

Meanwhile, a number of constitutional laws must be drafted and adopted regarding local and regional government, a new territorial division, the financial and material foundations of local and regional government, and the separation of authority between local state administration and local government agencies. However, experts, like Koliuško, insist that the first stage of reform needs to be carried out immediately, without waiting for changes in the Constitution, which are difficult, and thus time-consuming to implement. At this stage, there is a need to introduce changes in the law "On Local Self-Government in Ukraine" and in the budget code so as to immediately increase the likelihood of local budgets increasing their revenue, and by the same token, to expand the authority of local government agencies in providing public services, for which such revenue will be spent.²⁰²

The second stage will become feasible once the Constitution is changed that will entail either a complete elimination of local state administrations or significant limitations placed on their jurisdiction through the creation of local councils' executive committees. Then the legislative work to delimit the jurisdiction of local government at the commune and district levels will become a high priority. It will be necessary to divide up both authority and assets, i.e., to establish whether the state property will continue to exist or whether these government facilities will be simply transferred under local

²⁰² Łомоськуÿ Оłeksandr. Reforma: administrativna ÿ teritorialna.ÿäk baçať ïï v Cekpetariati prezidenta // Bùleteń \\Partnerı» -2006. -N 7 (84) - <http://www.cpp.org.ua/partners/142/463>

management.

During the first stages of implementing reform, it will be necessary to strengthen the autonomy of local government. Using the example of several neighboring communes, it would be worth considering to conduct a pilot government project to develop objective criteria and a sequence of actions, to develop clear standards for optimizing local and regional divisions of Ukraine with due regard for geographical, historical, and other factors, to work out an optimal scheme for creating local communes, and to avoid onset errors and miscalculations in an issue that is so vital to the public interests.

Ukraine's President Petro Poroshenko emphasizes that "The existing model of governance is excessively centralized, and has nothing to do with democracy. It is a Soviet atavism that has largely contributed to endemic corruption and widespread economic and political mismanagement in Ukraine. We are now doing what should have been done a long time ago. ... [T]he reforms to the constitution which we are proposing will allow us to grant more power to all our regions and, therefore, to all law-abiding Ukrainian citizens. Decentralization will strengthen, not weaken Ukraine".²⁰³

What is more, "[The] constitutional reform on decentralization demonstrates that the responsibilities Ukraine commits herself to be upheld and we keep our promises even when the road gets rocky. [...] Decentralization of powers is indeed a hard choice, but it is the only right choice. Now, despite all the challenges, we are approaching the moment of truth, and we just need to take a couple more courageous and responsible steps".

²⁰³ Petro Poroshenko Why Ukraine Needs to Give Power to Its Regions, 9/23/15, <http://europe.newsweek.com/petro-poroshenko-why-ukraine-needs-give-power-its-regions-333260>

The main idea behind the amendments is delegation of *some* central powers, as well as financial resources, to the level of local government where they can be used with maximum efficiency. Thus far, the budget decentralization, initiated in the beginning of 2015, has shown very promising results — the average relative increase of local budgets' revenues amounted to 36.8%.²⁰⁴ Decentralization of state powers suggests that local communities will be able to decide how to spend the generated funds themselves. And, as is also highly important, local government will be accountable not to the central authorities but directly to their voters.

Ukraine's decentralization was one of the first, fastest, and most comprehensive reforms initiated by the initial post-revolutionary government in March 2014, and its then vice-premier and today's prime-minister Volodimir Groysman. While amounting to a deep transformation of state-society relations in Ukraine, the underlying ideas and first successes of this large restructuring of Ukraine's governmental system have so far been hardly noted outside Ukraine. However, neither the concept nor the initiation of decentralization had much to do with Ukraine's Association Agreement with the EU signed in July 2014, or with the Minsk Agreements signed in September 2014 and February 2015. Now concluding its third year, the ongoing reorganization of Ukraine's local public administration, instead, had already been hotly discussed, meticulously planned, and unsuccessfully attempted for many years before the 2013-2014 uprising and ousting of the previous corrupt regime in the "Revolution of Dignity".

²⁰⁴ Petro Poroshenko Why Ukraine Needs to Give Power to Its Regions, 9/23/15, <http://europe.newsweek.com/petro-poroshenko-why-ukraine-needs-give-power-its-regions-333260>

In 2005, following the “Orange Revolution”, a law on a new administrative and territorial rearrangement of Ukraine had been drafted. In 2009, Ukraine’s government approved the Concept for Local Self-Government Reform. Yet, when Viktor Yänukoviç took over as president a year later, the imminent reorganization of Ukraine’s regional governmental system came to a halt. These and other earlier developments, nevertheless, prepared Ukrainian society and politics to move ahead quickly once Yänukoviç was ousted. Only little more than a month after the victory of the Revolution of Dignity in February 2014, the new government of Arseniÿ Yäcenük adopted a modified Concept for the Reform of Local Self-Government and Territorial Division of Power that kick-started the decentralization reform.

The many years of discussion and eventual start of implementation of decentralization reforms in April 2014 were primarily motivated by the excessive concentration of powers and resources in the hands of the central government. Even today, features of the previous over-centralized and semi-colonial governmental system can be found in many post-Communist countries across ECE. Arguably, decentralization is therefore no less important for these countries to overcome their Soviet legacies than liberalization, decolonization, democratization, privatization, and modernization in the form of Europeanisation (i.e. the adoption of the EU’s *acquis communautaire*).²⁰⁵

The overconcentration of competencies in the capital does not only lead to a number of political, administrative, economic, legal, cultural, behavioral and even mental

²⁰⁵ Hanushchak Yü, O. Sydorчук and A. Umland, Ukraine’s most underreported reform, 13 April 2017, New Eastern Europe Online Edition, <http://neweasterneurope.eu/articles-and-commentary/2328-ukraine-s-most-underreported-reform-decentralization-after-the-euromaidan-revolution>

pathologies in the post-Soviet world. It is, above all, the main reason for the low quality of public services throughout Ukraine, including such fields as primary as well as secondary education, healthcare, road construction or social support. It is also one of the causes for the slow economic development of many Ukrainian regions, during the last 25 years. Ukraine's local authorities often lacked and are partly still lacking sufficient funds, powers and skills to address even the most basic infrastructural needs of their communities. Ordinary citizens had and often still have little opportunity to influence decisions affecting their most urgent immediate local matters. Since 2014, the government has thus adopted a whole battery of parallel measures to change previous center-periphery relations. These multiple re-directions and novel regulations, taken together, amount to a comprehensive decentralization reform.

Firstly, local authorities are now receiving far larger revenues through redistribution of tax income from the central state budget to municipal and communal accounts. For instance, during 2015, the monetary volume of local budgets increased by 42 percent compared to 2014 – from ₴70.2 billion (around €2.5 billion) to ₴99.8 billion (around €3.5 billion). In 2016, the local communities' revenues increased additionally by 49 percent reaching ₴146.6 billion (€5 billion). In fact, they earned 16 percent more than had been initially projected for that year. This sudden rise of local revenues, especially via personal income tax (PIT), was the result not only of inflation, but also of new taxation formulae that motivated businesses to pay their taxes properly and to get away from handing out salaries in cash. In addition, a new model of competitive distribution of inter-budget transfers is aimed at fostering both the support of weaker regions and economic rivalry among local communities.

Secondly, in order to increase the institutional and financial capacity of local authorities, the government initiated a process of voluntary amalgamation of small counties into administratively more potent and larger political subunits called “amalgamated territorial communities” (ATCs). That was a highly necessary step to get away from the large number of over 11,000 Ukrainian primary level communities. For instance, before the reform, 6,000 local communities had fewer than 3,000 residents. Within 5,419 budgets of local self-government, subsidies from the central government exceeded 70 percent. 483 territorial communities were at 90 percent or more supported from central state budget funds.

No wonder that this part of the decentralization reform, once amalgamation became possible, quickly got off the ground. Already by the end of 2016, the so far entirely voluntary amalgamation process had rendered impressive results: 15 percent of the previously existing local counties had – on their own initiative and with some financial incentive – united into 367 ATCs. Apart from new competencies, the new ATCs received additional tax revenues and direct state subsidies for developing infrastructure, improving healthcare, and implementing educational projects. Due to their new revenues, those 159 amalgamated communities that had been created during 2015, as Ukraine’s Ministry for Regional Development proudly reported, increased their budgets more than six-fold, during the first nine months of 2016 when compared to the same period of 2015. The new entities received various types of revenues, especially PIT, and additional competencies to direct their expenditures.

Some rapid physical developments in the first amalgamated territorial communities represent, so far, the most visible results of the decentralization. The officials of the new ATCs used much of the additional resources they now had at their disposal for infrastructural projects in order to quickly demonstrate their residents the benefits of their novel political functions and administrative prerogatives. For instance, in 2016, more than twice more road surface was laid than during the two previous years (though this was also a result of the general economic recovery that had begun in mid-2016). The central government provides financial assistance to amalgamated communities in the form of state subsidies which amounted to about €1 billion (€35 million) in 2016 and will be around €1.5 billion in 2017. The ATCs have been using the additional funds for the reconstruction and repair of educational and healthcare facilities as well as for other public works.

Another aim of decentralizing and bundling decision-making has been to enable ATCs to attract larger investment projects. So far, these have, however, been rare, and reflect the generally low amounts of FDI that Ukraine is receiving. That has, perhaps, less to do with Ukraine governmental structure than with the country's tarnished international image as an ostensibly war-torn and still super-corrupt country – features that are certainly present, yet often overdone in international press reports.

A recent amendment to the law on the amalgamation of communities allows now so far non-amalgamated communes to join already amalgamated ones via a simplified annexation procedure. It is, therefore, expected that by the middle of 2017, the number of ATCs will grow to more than 60 percent of their forecasted final number for the whole of

Ukraine. If that indeed happens, it will signal that this critical component of the decentralization reform will become irreversible. Over the next two years, the government also expects to enlarge the sub-regional territorial units, the rayons (districts), that Ukraine inherited from the Soviet administrative system. Together with further progress in the amalgamation of communities, the reorganization of the rayons would largely finalize the territorial reform as a key component of the decentralization drive, until the end of 2018.

Other aspects of the reform package, however, remain frustratingly incomplete, as the parliament has so far failed to adopt a critical constitutional amendment. The modification of Ukraine's basic law is necessary to complement and support the already enacted changes in ordinary legislation and ongoing changes in the local communities' everyday life. While originally not connected to the resolution of the armed conflict in the Donets Basin (Donbas), the constitutional changes related to decentralization were, in 2015, bundled together with one of Ukraine's political commitments, under the Minsk Agreements. The latter concerns the provision of a highly controversial "special status" for the Donbas territories currently controlled by Russia and its proxies in eastern Ukraine. Against the background of Moscow's demonstrative and continuous violation of the Minsk Agreements since 2014, a large majority of MPs in Ukraine's parliament, the Supreme Rada, so far refuses to support the comprehensive constitutional reform package. That is insofar regrettable as this legal bundle also includes several decentralization clauses, unrelated to the Minsk Agreements.

In fact, a final vote on these constitutional changes may, in view of Ukraine's growing frustration about Russia's continuously aggressive behavior during the last four years, not happen any time soon. Allowing for an unclear "specificity in the conduct of local government in several rayons of Lužanśk and Donećk region," as prescribed in the draft amendments, is by many politicians considered as illogical, unjust and subversive. It creates the possibility for a transfer of more power to separatist-held Donbas areas than to the communities in the Ukraine-controlled part of the region. The Minsk Agreements' provisions to allow the currently occupied territories to appoint their own armed local militias, city procurators and other such organs not subordinated to central government were forced upon Ukraine, in February 2015, at gun-point. These special regulations are now being more and more openly rejected by many of Ukrainian society's crucial stakeholders, including political parties, leading intellectuals, and economic actors.

The constitutional bill also ran into opposition from some parliamentarians because of a clause that introduces, into Ukraine's administrative system, a new agency of 'prefects'. These are president-appointed regional public officials who will be monitoring the legality of the local authorities' decisions and who can suspend them and refer them to the courts. The authors of the draft amendment argue that appointment of such prefects is necessary for preserving state control over newly empowered local governments, which could abuse their novel competences. Critics, on the other hand, fear that through the prefects, the president may unduly enhance his political influence over local authorities and undermine genuine communal self-government. Such worries – so far rather hypothetical – could be taken care of in the future should lawmakers were to design a transparent system of selection of prefects by open competition allowing them

to be independent from the president. As the exact competences of the president, government, prefects, and parliament are more clearly delineated in the draft for the amended constitution than in the current basic law, abuses of power would probably altogether decline rather than increase.

Despite the only partial and, so far, largely voluntary implementation of the reform package, many Ukrainians have already started to note implications of decentralization. According to a November 2016 poll by the Kyiv International Institute of Sociology, for instance, 46 percent Ukrainians saw positive changes from the use of new funds obtained by local authorities, while 43 percent saw no change, and five percent saw changes for the worse. 25 percent pointed to improvement of public services in their communities compared to 58 percent who didn't notice any changes and eight percent who felt there had been deterioration of public services. While a clear majority of Ukrainians of 64 percent support decentralization and empowerment of local authorities, 61 percent are still not satisfied with the slow pace of the reform.

In early 2017, Ukraine's decentralization reform has entered a critical phase marked by a recent adoption of several new laws aimed at fostering amalgamation of communities. This encouraging legislative success offers hope that the already impressive practical progress will continue. To date, decentralization has already improved the financial well-being of many local communities in different regions in Ukraine and laid the foundation for a better quality of life for Ukrainians living outside the wealthier cities like Kyiv, Odesa and Xarkiv. While the idea of rapid decentralization does not enjoy unconditional support from all parliamentary parties, the numerous stakeholders of the ongoing reform among public officials, elected mayors, and new

councilors, as well as the population at large, bode relatively well for the future of local administration reform. In addition, various Western states and international organizations, above all the EU, are resolutely supporting Ukraine's decentralization via a broad variety of instruments and with funding amounting altogether to approximately €200 million. If the accelerating changes take root at the local level, decentralization will contribute to changing post-Soviet Ukrainian state-society relations, at its core.

In a meeting with the special envoy of the German government on reforms in the field of governance and decentralization Georg Milbradt, prime minister of Ukraine Volodymyr Groÿsman has said that Ukraine intends to continue reforms in the areas of decentralization and public administration with the support of international partners, Germany in particular. According to the prime minister, decentralization and one of the components of the reform - the amalgamation of the communities - have already proved their effectiveness due to the growth of local budgets. "Now the main focus of the reform is to ensure transparency in the use of funds and to involve the public in discussing initiatives that are relevant to a specific area. Special attention is given to promoting sectorial change, namely: education, healthcare, administrative services, land use, transportation infrastructure, and zoning," Groÿsman said.²⁰⁶

Ukraine already has a constitutional framework for local self-government in place. The European Charter of Local Self-government has been ratified. A number of basic legal acts that constitute the legislative and financial framework to support it have been adopted. The Ukrainian local self-government system comprises the following

²⁰⁶ Ukraine to continue decentralization, state administration reforms with intl partners' support – Groÿsman 15.08.2017, <http://en.interfax.com.ua/news/general/442349.html>

elements:

- Local (territorial) community of citizens. There are village, town, and city local communities in Ukraine. Pursuant to the existing legislation it is the local community that holds the right to local self-governance. A local community stands for people who permanently reside in a village, a town, or a city, which are separate administrative-territorial units that can also voluntarily amalgamate citizens from several villages. In addition to that, the administrative-territorial system includes three tiers.
- Representative bodies. There are representative elective bodies at all three levels of the administrative-territorial organization such as councils (village, town, and city councils). These councils are elected by members of the local communities at the general election by popular vote. There are also elective positions of village, town, and city mayors as well as of heads of amalgamated local communities. The majority voting system is deployed in villages and towns that have population under 90 thousand people. Elections of people's deputies to the regional, district, and city councils are conducted in line with the proportional election system in the multi-mandate electoral constituency on the tickets of local organizations of the political parties. City mayors are elected by absolute majority (50% plus 1 vote) in cities with the population over 90 thousand people. There might be a second round of elections for these mayors. The rest of mayors are elected by the majority of voters who have cast their ballots.
- Legislative bodies of local councils. These bodies are established only at the city, town, and village councils. These local public administrations act as executive authorities at the region and district levels. According to law, region and district councils do not have executive bodies of their own. They delegate their powers, except for the powers

reserved solely for themselves, to respective local public administrations. The current local self-government system fails to meet the needs of the society in Ukraine nowadays. Local self-government does not deliver what it originally was supposed to, in particular, to create and maintain favorable environment essential for comprehensive development of an individual, to provide accessible public services of high quality to citizens in these local communities. These services are not based on the community's sustainable development plans.

The first attempt to address the issue comprehensively and to conduct the reform of the administrative-territorial structure and to introduce decentralization took place in the period of 2000-2010. In 2009 the respective reform concept was adopted. But due to the lack of necessary political support, institutional capacity and integral and untied vision of the end result, the reform was over without even being started. And the following government simply abandoned all previous undertakings.

Only in 2014 yet another reform was declared. The government adopted the respective Concept for reforming local self-government and territorial division of powers in Ukraine. The big focus was now on large-scale decentralization. As of today decentralization has had a good start in Ukraine. However, gaps and shortcomings of the Constitution of Ukraine have to be addressed in order to ensure the successful pace of the reform. Unfortunately, introduction of changes to the Constitution regarding decentralization and local self-government was connected to the issue of granting a special status to the territories occupied by the Russian troops and their allies in the Donbas. There is no political consensus on the latter issue and consequently other changes cannot be voted for as well.

Decentralization of public administration is perhaps the number one reform on the country's agenda. The first steps have already produced good results. The strategic goal of this reform is to create safe and comfortable environment for people in Ukraine. The proposed model of decentralization of public administration is based on several essential aspects related to identifying a new territorial basis of the local self-government, e.g. changes to be made in the administrative-territorial division, and a transfer of powers and resources to the local level.

The Concept for reforming local self-government and territorial structure of public authorities in Ukraine has the following key priorities:

- Creation of an effective public administration that envisages a three-tier administrative-territorial structure, in particular, region- district-community and a clear-cut division of powers between local self-government bodies and public authorities and between local self-government bodies themselves where the most important powers are transferred to the level of public administration, which is the closest to the general public
- Creation of proper conditions to enable adequate performance of local self-government bodies and allocation of relevant resources for their use
- Ensuring openness, transparency, and citizen's participation in addressing local issues.

Already in 2014 basic laws on local communities were adopted and since then the work on creation of vibrant local communities has started. Changes to the Budget and Tax Codes introduced in December 2014 served as a basis for fiscal and financial independence of local budgets.

Local communities exercise local self-government in Ukraine directly or through the Mandate of local self-government bodies in line with the current Constitution of

Ukraine and the Law of Ukraine on Local Self-government in Ukraine. These powers and authority can be divided into three categories: 1) specific powers of local self-government bodies (self-governed); 2) delegated powers, in other words, certain powers of the executive authorities delegated by the state in compliance with the law; 3) powers delegated on the contract basis. It is worth noting that the local self-government in the city of Kyiv as the country's capital has somewhat unique features.

As for the specific powers of the local self-government bodies, they are designed, first and foremost, to ensure implementation of rights and freedoms of local citizens and to contribute to the social and economic development of the local community. Local self-government bodies bear responsibility for school and pre-school education, primary healthcare, cultural institutions, municipal infrastructure improvements, in particular, street lighting, roads condition, cleaning, public order and many other important mundane/routine issues. Taking into consideration the lack of local communities in the districts and oblasts, district and oblast councils focus their powers and authority on addressing common problems of communities located in these administrative-territorial units.

At present the powers of local executive authorities and local self-government bodies have not been properly delineated. At times, they are unnecessarily centralized, overlapped, and delegated for no good reason. All these factors make the governing system complicated, lead to conflicts between representatives of these state institutions, create parallel governing structures, trigger excessive financial expenditures and consequently result in less effective performance.

Current decentralization envisages the transfer of powers to the grassroots level,

i.e. the community level. It means that the local issues will be addressed locally. It also stipulates for allocation of financial resources that will enable these bodies to solve locally pertinent problems effectively.

The creation of new amalgamated communities continues. These communities are expected to be bigger in terms of the area they occupy. They will receive additional mandate and resources to exercise their powers. At present there are 11,338 rural, town and city communities. Some of them include several villages. As a result of the administrative-territorial reform, there will be about 1,500 sustainable communities, sustainable in a very wide and comprehensive way that envisages resources, high living standards, proper living conditions for people and provision of a large majority of services delivered both by the local self-government bodies and the state. As of September 2017, Ukraine has over 200 amalgamated communities.

Since 2014 a new system of intergovernmental fiscal relations has been introduced. It is based on a completely new mechanism of horizontal equalization of taxpaying power of territories. The main elements of this mechanism are basic and reverse subventions. The basic subvention is a transfer provided from the national budget to the local budget to ensure horizontal equalization of taxpaying power of a territory. The reverse subvention stands for funds transferred from the local budgets to the national budget to ensure horizontal equalization of the taxpaying power of territories.

The system of total balancing/compensation/balance-sheet of all local budgets was replaced by a system of horizontal equalization of taxpaying power of territories, depending on income level per capita. This being said, the equalization is applied only for one tax, e.g. an individual income tax. The rest of the payments remain at the disposal

of the local authorities.

New subventions have been introduced to the national budget to be then given to the local budgets. They are educational and health care subventions. These subventions will make sure that funds for the implementation of the government's mandate in these areas are allocated.

At the same time, thanks to the changes made to the Tax Code, local self-government bodies enjoy a higher degree of fiscal independence when it comes to local taxes and fees; in particular, they are entitled to decide on the taxation rate and respective tax incentives on their own.

The study on local budget performance in 2015 has shown that the implementation of the intergovernmental fiscal relations reform produced good results despite pessimism that accompanied the initial phase when changes were originally introduced. The increase of receipts of the general fund has amounted to 42.1% when compared to 2014. The revenue base of the local budgets has been increased by transferring some taxes and fees to the local budgets. The cost structure of the local budgets has also undergone changes. The share of expenditures related to the implementation of self-government mandate has gone up. This is an indication of a higher spending autonomy of the local budgets and more effective utilization of public finance at the local level. It should be noted that local budgets have adequate financial resources to meet the real needs of the local budgets as regards allocation of funds required for the implementation of powers delegated by the state. Another positive aspect of the intergovernmental fiscal relations reform is increased investments to the local budgets. In 2015 capital expenditures amounted to 11.5% of expenditures of the general

and special funds of the local budgets. That's up 136.8% from the year of 2014.

Local self-government bodies and officials are accountable, controlled and responsible to the local communities. At the same time local self-government bodies and officials are liable for breaching the Constitution of Ukraine or the laws of Ukraine. When it comes to their performance and implementation of powers delegated to the executive authorities, they are accountable to the respective executive bodies. Local public administrations ensure monitoring and control over implementation of delegated executive powers by the local self-government bodies. The state also ensures financial control over the implementation of the local budgets.

Decentralization stipulates for the introduction of an updated mechanism of state control over decisions made by local self-government bodies and their compliance with the Constitution of Ukraine and the Ukrainian legislation and over the quality of public services rendered to people. It is expected to ensure this control via the institute of prefects that will represent the interests of the state at the regional and local levels. If and when regulations of local self-government bodies and officials are qualified as the ones that do not comply with the Constitution of Ukraine or the laws of Ukraine, then they shall be taken to court to be qualified as illegal.

Ukraine gained its independence in 1991 and since then the country has made several attempts to reform its public administration system and civil service as the old institutions and the Soviet school of public administration failed to fit into the new environment and were unable to ensure good governance. The public administration reform entered a new phase after the Revolution of Dignity. In 2015 the Government of Ukraine adopted a Strategy for Civil Service Reform until 2017. In 2015 the Parliament

adopted a new law on public service that stipulated for major changes and introduced new approaches to setting up the civil service in the country. Besides, in 2016 the Government adopted a Strategy for Public Administration Reform in Ukraine for 2016-2020. The Anti-corruption strategy has been approved as well. These are three key documents that define the legal and political framework of the current public administration reform.

The current government of Ukraine has outlined the priority of its program. The priority is to improve the quality of public administration and public services. The implementation of this priority envisages the achievement of a strategic goal, which is to build the system of public administration on the basis of the European principles of the respective system. Taking into consideration the European choice and the European perspective of Ukraine, the implementation of the public administration reform shall be based on common values declared by the Association Agreement, such as adherence to the democratic principles, rule of law and good governance.

Therefore, the current public administration reform is aimed at improving the public administration system and boosting country's competitiveness growth. The reform has the following priorities:

- Strategic planning, policy making and coordination (public policy)
- Civil service and human resources management
- Accountability – establishment/implementation, transparency, monitoring/oversight
- Administrative services delivery
- Public finance management.

In order to enact key decision, to ensure monitoring and evaluation of the

implementation of the public administration reform, a Coordination Council for Public Administration Reform was established under the Ukrainian Government. The representatives of various executive authorities and civil society organizations are members of this Council. The Vice-Prime-Minister for European and Euro-Atlantic Integration of Ukraine is in charge of the coordination of the public administration reform. A separate department responsible for the implementation of the Strategy for Public Administration Reform was formed at the Secretariat of the Cabinet of Ministers of Ukraine.

Changes aimed at creating professional, viable/sustainable/consistent and politically neutral civil service were introduced together with a new law on civil service that came into effect in May 2016. When implementing the civil service reform it is planned to initiate a position of a Secretary of State at the ministries, thus separating political and administrative positions. The Commission on Senior Public Servants has been already set-up. The Commission will play a key role in selecting candidates to the top positions of the civil service and will handle dismissal of top officials. Individuals will be appointed to the civil service positions only on the basis of the competition. A transparent, clear and fair remuneration system has been introduced to the civil servants.

This system brings down/minimizes the value judgment/subjective judgment when defining the financial incentives for the civil servants. A gradual salary increase is expected until to 2020. Clear criteria of political neutrality (nonpartisanship/no-party affiliation) have been set for all public servants, including top officials. The work on setting-up the “reforms teams” is under way in the line ministries. This process is accompanied by introduction of extra financial incentives in order to ensure competitive

salaries at the overall labor market. Therefore, highly-qualified professionals from business and non-governmental sectors are expected to get engaged in the reform process to guarantee speedy, effective and qualitative implementation of reforms in certain areas.

Good public policy making, strategic planning and coordination of the public policy call for institutional capacity building within the Cabinet of Ministers of Ukraine, advancement of policy making practices and introduction of a strategic planning system. Besides, an effective monitoring and evaluation system is expected to be introduced, including ministries' performance assessment.

In order to ensure proper accountability of ministries and to avoid overlapping of their functions, clear-cut performance indicators will be introduced. In addition, the head of the executive body will be obliged to report on the progress made by his/her ministry or state agency that he/she runs. The proper public control mechanisms have been introduced for the competitions of the civil service positions.

The anticorruption policy and civil service integrity are important aspects of the public administration reform. With the help of the international donor community the electronic declaration system of income and spending of civil servants was introduced in 2016 thus giving a start to monitoring of the civil servants' lifestyle.

The respective legislation on access to public information was adopted. Each and every citizen has a right to file a request for public information. Public authorities shall facilitate the request and provide such access. A web-portal of open data held by the public authorities was created.

To paraphrase Karl Marx and Friedrich Engels: A specter is haunting Ukraine - the specter of federalism. Almost all the founding fathers of the Ukrainian nation made

suggestions to the idea: ranging from Taras Şewçenko to Mixaiĭlo Draĝomanow and Mixaiĭlo Hruşewskiĭ to Wyäçesław Çornovil, a prominent leader of the anti-communist opposition at the end of the USSR. They all expressed such views but in a fundamentally different context. Ukraine at that time was not a sovereign state, but an integral part of the Russian/Soviet Empire. Federalization of an empire or within the empire meant then a step towards national liberation and greater sovereignty.

Nowadays, the demand for a federalization of the country has become less noisy. Its proponents see it as a way to reduce the tensions between the regions. Opponents fear the increase of centrifugal tendencies. Moscow seems to propagate federalization in order to retain influence over Ukraine and cripple it following the example of Bosnia. Instead of federalization à la russe, Kiïw should focus on building functioning state institutions and further institute reforms to decentralize and strengthen self-government at municipal and regional levels. That would be the most important contribution to the strengthening of the rule of law and democracy.²⁰⁷

Today's realpolitik provides the advocates of federalization a powerful argument. However, there are two serious obstacles to the realization of the idea. Firstly, the concept of federalization in Ukrainian society is extremely unpopular and is perceived not only as a total capitulation to pressure from outside but to a large extent as a betrayal of the Revolution of Dignity and the national cause. Remarkably, it is not only Ukrainian nationalists who firmly reject the idea, but the vast majority of Ukraine's population. All the polls clearly indicate this: in contrast to what Russian and pro-Russian politicians say,

²⁰⁷ Riabchuk M., Decentralization and subsidiarity: Resist the federalization, <http://www.eurozine.com/articles/2014-08-05-riabchuk-de.html>

the idea of federalization receives only 26 percent of approval from respondents in eastern Ukraine and 22 percent in southern Ukraine, while it is supported in western and central Ukraine by meager three to seven percent.

The other reason is the widespread recognition that whatever the Ukrainian government does in order to appease the Kremlin and its followers in the Ukrainian regions, this will never be enough. Ivan Krastev has pointed out that Russia imagines Ukraine to be something like Bosnia - a radically decentralized country, composed of political entities, each sticking to their own economic, cultural, and geopolitical preferences. In other words, while the territorial integrity of Ukraine (although without Crimea) will remain intact, the eastern part of the country would be more closely associated with Russia than with the rest of Ukraine, similar to the relationship between the Bosnian Republika Srpska and Serbia. This creates a dilemma for Europe: while federalization could potentially allow Ukraine to pass through the current crisis, it most likely would condemn the country to decay and failure in the longer term. As the Yugoslav experience has shown, radical decentralization works in theory but not always in practice.

Russian officials leave little doubt about that. Sergei Glaz'ev, Putin's economics aide, offered an insight into a type of "federalization" for Ukraine they have in mind: "In a rigid unitary state a permanent confrontation will persist. To end it, we need federalization. You have to give the regions sufficient rights, grant them the power to form their own budget and even the ability to partly determine their own foreign policy. Worldwide, there are [...] such cases; various types of commercial and economic systems are in place within countries. Greenland, for example, belongs to Denmark.

Denmark is part of the European Union, while Greenland is not. So that would be a reasonable model for Ukraine”.

It is remarkable that such proposals come from Russia, which itself is a federation in name only, and cracks down hard on any practices that are deemed routine in “normal” federal polities. But some Kremlin-connected pundits express themselves even more overtly. Hence, as early as January 2014 – a month before president Yānukoviç’s fall and the subsequent invasion of Crimea, an ex-journalist and political activist Maksim Kałašnjikof had outlined the policy of the Kremlin towards Ukraine with amazing precision: “Short of a civil war, one can preserve Ukraine only by the speedy partition (labeled as federalization). [...] What should Yānukoviç do? Why should we force him? First, he is to announce a referendum on two issues: on Ukraine's accession to the Association Agreement with the EU and federalization of Ukraine – the creation of four constituent “republics”: Novorossia (including Crimea), Central Ukraine, Western Ukraine and Carpathian Ukraine...

Moscow needs to back up this “process” with information, finances and, say, support by “special agents”. The Donbas and Novorossia (New Russia), which are mainly Russian, our people’s, and we have the duty to protect them. The Donbas and Novorossija – essentially, the regions of eastern and southern Ukraine – must (according to the pattern of 1990-1992 in Transnistria) arm themselves and establish self-defense command. One must begin with a “privatization” of the troops of the Ministry of Interior and the Ukrainian Armed Forces stationed there. [...] Volunteers from the local population must fill the gaps. Moscow will quietly provide this militia with weapons and ammunition. Their objective is seizing of Odessa, Mikołaiw, and Dniprowśk and

securing bridges over the Dnipro river ... In order to hold the government offices in Kïw for as long as possible, armed volunteers from the Donbas and Novorossia have to be brought over there. Military instructors and fighters (volunteers) from the Russian Federation are easy to hide among them. Such a mobilization of volunteers is an logistical challenge ... Therefore, one must now call the moneybags in the Donbas in order to intimidate them and get them to open their wallets; Yänukoviç will have a guaranteed refuge and safety in the Russian Federation whose television, radio, and Internet issue assurances that Russia is coming to the rescue of Russian and pro-Russian population of the Donbas and Novorossia ahead of an attack of brutal, crazed [fascist] followers and prevent chaos and violence. We will then deal with local oligarchs and Yänukoviç... A referendum (even if it only takes place in the Donbas and Novorossia) will give us a legal cover for shifting the center of power from Kïw to Xarkiw”.

What looked like wild imagination of in January 2014 has largely become the core of Putin’s realpolitik two months later. Although Viktor Yänukoviç has partially distorted the scheme by his early departure from the scene, the new government in Kïw was still forced to face the partial dismemberment of the country labeled as “federalization”, as Maksim Kałaşnikof put it frankly. Nevertheless, Kïw will likely accept and promote the idea of a much needed decentralization, which basically corresponds to the EU supported principle of subsidiarity. The only legitimate way to achieve this is to negotiate and constitutionally enact the division of power and responsibility between the central government and local and regional self-government bodies that are yet to be set up.

Kiïw resists the talks of federalism adamantly (and understandably) in its every conversation with Russia and its proxies doing its bidding in the Donbas, although this is exactly what Moscow wants and pursues it with all means available; it sees this push as the only chance it has to impose its federalist agenda on Ukraine. The Kremlin is aware that any normal electoral politics in Ukraine would result in a defeat of the radical pro-Russian forces, and therefore does what it can to sabotage and derail any normalization. Curiously though, Moscow rejects any suggestion that it, perhaps, ought to adopt similar schemes for itself as meddling in its domestic affairs.

According to the results of a poll taken in April 2014 in eight south-eastern regions of Ukraine on Putin's Novorossija initiative (to separate them from the rest of the country), only 15 percent were in favor of a hypothetical secession of their region and unification with Russia while 70 percent were against it; 32 percent thought the Russian interference in Ukrainian affairs was legitimate but 54 percent did not agree; 12 percent would welcome a possible invasion of the Russian army, 74 percent would not; in the case of such an invasion seven percent said that the Russian troops would be welcomed and two percent agreed to join them eventually, but 47 percent said they would rather stay home, while 21 percent expressed their will to fight the Russians.

Looking at the data more closely, there are significant differences between those regions that are traditionally put together under the umbrella of "the southeast". On a continuum the Donbas, which is pro-Russian and Sovietophile, pan-Slavic, anti-Western and anti-Kiïw is at one extreme, while Xerson and Mikołaiw regions and closely followed Zaporizzä and Dnipro regions represent the other one. Here more moderate attitudes are prevalent, which are much closer to the attitudes of Central Ukraine than to

the Donbas. For example, in these four regions, only three to nine percent of those surveyed were for the takeover of government buildings by gunmen while in Lužanšk and Donećk these figures reached 24 percent to 18 percent. Only three to seven per cent advocated secession in these four central southern regions (plus Odessa), while 28 to 30 percent of respondents in the Donbass did so. Only 14-20 percent of respondents find Russia's interference in Ukrainian affairs legitimate, compared with 49 percent and 41 percent in Donetsk and Lužanšk. Only four to seven percent of respondents in the four central southern areas plus Odessa are for a hypothetical invasion of Russian troops into Ukraine - compared to 19 percent in the Donbas. Only two to five percent of respondents in the central southern regions would welcome Russian troops, while 26 to 37 percent would want to fight them. In contrast, the Donbass is the only region where the number of respondents who would welcome the Russian army (14 to 16 percent) is higher than the number of those who intend to fight it (eleven to twelve percent).

Xarkiw and, in some cases, Odessa located between these two poles, and their majorities are basically pro-Ukrainian and pro-European. The rest is largely Soviet, some pro-Russian, but first and foremost, confused and ambivalent. In both cases, support for a Russian invasion and / or connection to Russia is half-hearted and has nowhere, not even in the Donbass, a real or even approximate majority of the population. This largely explains the failure of the Putin's instigated "popular uprising" against the "fascist Ukrainian government" in all these regions.

In Russia's media these regions were shown for too long as genuinely Russian, whose population dreaming of nothing else but of a reunion with "mother-Russia". It is difficult to assess the extent to which Putin and his entourage have become victims of

their own propaganda. But in any case, they have been led, as most Russians were, astray by the old Russian myth, which states that the Ukrainians are "almost the same people" as the Russians themselves - especially when it comes to Ukrainians, whose first language is Russian. Probably, Putin's advisers convinced him that "Novorossia" was ripe for the taking. A Moscow journalist Yūliā Łatnina, a critic of Putin's regime but also dismissive of the Ukrainians, mocked them by insinuating that these people probably thought: "Here you only need to throw a lit match and there will be fire. So they threw the match, and it did not start burning. It hissed and smoked, but it never caught fire".

It has been shown that a few dozen mercenaries and Russian military instructors were able to mobilize a few hundred local enthusiasts to occupy government buildings in a few towns, and even big cities of Donbas. But that's still far from a revolution or a popular uprising. Most people in the Donbas just waited to see what would happen. They were willing to accept the winner, whoever it would be, as long as it brings about a little stability and hope for a better life. It is quite clear that without Russia's regular troops no takeover of the Southeast by Russian armed paramilitaries was possible. Even in the Donbas it became problematic. The local population was quickly fed up with the mess and turned its anger away from the mythical "fascists" in Kīiw to the ones who were actually running and ruining their lives.

The Ukrainian government could gain support among the local elite, if it offers them a comprehensive package of reforms of decentralization and more self-governance. Nevertheless, the reconciliation between the "two Ukraines" even in the best case will not be easy. This is the conflict between the pro-Western and anti-Western Ukraine, the

Sovietophiles and anti-Soviet, and the paternalistic or civic societies. The latter is busy with its very survival. Vitaliy Naxmanoviç, a Ukrainian historian and Jewish-Ukrainian activist, argues that the reconciliation is hardly possible, because the fundamental values of both groups are inconsistent and are not in a hurry to change. Instead, Ukrainian politicians should think about compensation and consociation by guaranteeing each of the group a degree of autonomy with the necessary respect for their values. It is highly unlikely that an authoritarian Ukraine can offer democratically minded, European-oriented citizens such autonomy. But it is quite possible that a democratic Ukraine would find a way to take account of their paternalistic, Sovietophile and Russian-oriented compatriots. This has been done quite successfully, he argues, in Latvia and Estonia for their Sovietophile, pan-Slavic minded citizens.

In any case, it is highly unlikely that the Kremlin will cease its subversive activities. With a vast network of agents in all Ukrainian institutions and significant support of Russo- or Sovietophile part of the population, Moscow can bring down Ukrainian reforms and successful Europeanization even without direct military invasion. Although the invasion cannot be excluded, it is unlikely at the moment because of its very high internal and international costs and dicey profits. Russia can easily take the Donbas, but it will be of little symbolic value and even less practical - with all its outdated industry from the 19th century. Indeed, Putin's main problem is not, whether an independent Ukraine survives per se, but an example of a successfully modernized, democratic, and European Ukraine enjoying a lot more freedom and civil rights in the eyes of millions of Russians and Russian-speaking Ukrainians ("almost-Russians" in Putin's parlance) than their counterparts in Russia. That could be a fatal blow for the

Putinism as a system based on the megalomaniac claim of pan-Slavic uniqueness and a paranoid anti-Western attitude.

Therefore, the Kremlin will probably continue all kinds of pressure and provocations keeping Ukraine in a limbo and to prevent any serious international investment in the country and to demonstrate that Ukraine is a “failed state” – in the sense of a self-fulfilling prophecy, as Moscow claimed for years. This is a formidable challenge for the Ukrainian elite and its entire population, but also a great stimulus and perhaps the last chance to bring it finally to civic maturity, national consolidation and the much-needed institutional reforms.²⁰⁸

²⁰⁸ Riabchuk M., Decentralization and subsidiarity: Resist the federalization, <http://www.eurozine.com/articles/2014-08-05-riabchuk-de.html>

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